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CONTENTS

4 May 1993

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

INTER-EUROPEAN AFFAIRS

- * Prospects for Trade Between Slovakia, CR [Prague LIDOVE NOVINY 2 Apr] 1

BULGARIA

- * Presidential Economic Adviser Interviewed [168 CHASA 16 Feb] 3

HUNGARY

- * Hankiss to Antall: 'Party-State' TV Restored [MAGYAR HIRLAP 6 Apr] 5

POLAND

- * Specifics on Military Restructuring, Reform Noted 7
- * Goals Presented [POLSKA ZBROJNA 29 Mar] 7
- * Problems, Solutions Viewed [POLSKA ZBROJNA 30 Mar] 8
- * Restructuring of Air Defense Forces Profiled [PRZEGLAD WOJSK LOTNICZYCH Feb] 10
- * Closer Business Relations With Hungary Foreseen [RYNKI ZAGRANICZNE 27 Mar] 13
- * New Zealand Sees Opportunities To Help Poland [RYNKI ZAGRANICZNE 1 Apr] 14
- * Privatization of Small, Medium-Size Enterprises [TRYBUNA LUDU 3-4 Apr] 15
- * Compensatory Duties on Agricultural Imports [RYNKI ZAGRANICZNE 1 Apr] 16
- * Statistics Given on Amount of Tourist Money Spent [RYNKI ZAGRANICZNE 27 Mar] 17

SLOVAKIA

- * First Three Months of Independence Assessed [SLOBODNY PIATOK 26 Mar] 18
- * Voter Psychology Explored From Postelection Angle [KULTURNY ZIVOT 31 Mar] 19
- * Knazko Hints at Influence of Meciar's Secretary [Prague ZEMEDEL'SKE NOVINY 30 Mar] 20
- * Moravian Nationalist Claims Discrimination [SLOVENSKY NAROD 16 Mar] 20
- * Highlights of HZDS Congress Reviewed [Prague LIDOVE NOVINY 30 Mar] 21
- * Impact of Knazko's Leaving HZDS Gauged [Prague TELEGRAF 2 Apr] 22
- * Comment on Influence of Nationalist Media [SLOBODNY PIATOK 26 Mar] 23
- * CR-SR Border Controls Considered Restrictive [KULTURNY ZIVOT 24 Mar] 23
- * Perspectives of Slovak Economy Sketched [PRAVDA 19 Mar] 24
- * 'Shock Treatment' for Slovak Economy Rejected [SLOVENSKY NAROD 16 Mar] 25
- * Spread of Trade in Nuclear Materials Noted [PRAVDA 25 Mar] 27

YUGOSLAVIA

Macedonia

- * Deputy Prime Minister Zuta Interviewed [VECER 6-7 Mar] 29

*** Prospects for Trade Between Slovakia, CR**

93CH0533A Prague LIDOVE NOVINY in Czech 2 Apr 93 p 8

[Article by Frantisek Vencovsky, former adviser to the chairman of the Czechoslovak National Bank and currently an instructor in the Department of Monetary Policy of the Advanced School of Economics in Prague: "Czech-Slovak Trade in Crisis"]

[Text] As early as the initial months following currency separation, the development of Czech-Slovak trade is quite clearly indicating trends that are coming into conflict as a result of the momentum of past years, with both the strategy of our economic transformation and the adopted concept of structural change as it pertains to production and sales. A problem is arising, the importance of which far exceeds the estimates and anticipations that were the basis for the preparation of the first Czech state budget and the considerations regarding monetary and, particularly, foreign exchange policy.

It is sufficient to recall that the government estimated that the decline in mutual trade would amount to 10 percent, but the management of the Czech National Bank is far more realistic and is figuring on a decline of up to 30 percent. What is involved here, however, is not only the accuracy of this quantification but also the seriousness of its structure in relationship with enterprises, banks, and households—simply, it involves its impact on the economic microsphere. A problem is looming that is far from being only a matter for the government or the central bank, as is the case involving the division of property or the division of credits and reserves by the central bank. What is involved here is a matter that is beginning to impact directly on the specific interests of all economic entities—producers as well as consumers.

It is impossible to look at the relationship between production and consumption in the Czech Republic [CR] and Slovakia by only casting a first glance at the overall volume and gross structure of mutual trade and possibly looking at its relationship in terms of the development of the gross domestic product, but it must be viewed in the light of the circumstances involved in forming internal production, cost, and pricing relationships. And here it is only with difficulty that one can bring about a "break" in developments, which, for a period of 70 years, were the substance of the fine monetary, production, and consumption fabric in the Czech Republic and Slovakia, a fabric that was created in the form of the relationship and at the microlevel between enterprises and households and thus formed an easily quantifiable relationship in financial and credit relations between both national economies.

Developments in the first three months are characterized not only by a reduction in trade relationships to approximately one-half, but also by the fact that the reduction has not disrupted the existing fundamental character of these relationships—namely, the predominance of

Czech exports to Slovakia over imports from Slovakia. This tendency is persisting and once more shapes the Czech creditor position, the level of which will soon exceed the level of the bridge loan that had been agreed upon at 4.5 billion korunas [Kc]. And, at that, there is not any clear and realistic contemplation, either on the Czech side or on the Slovak one, as to how to proceed. A question has also arisen as to which of the two partners has or will have greater problems in this regard; or, rather, which of the two partners is more or less admitting the existence of this problem. Will this case also serve to confirm the axiom that it is primarily the debtor who has problems with a small debt, whereas it is more likely the creditor who has problems with a large debt?

For the Czechs, the disintegration of the common state was connected with two doubtlessly positive consequences in this monetary sphere. On the one hand, the disappearance of the frequently noted shift of budgetary resources from the Czech Republic to Slovakia—it amounted to approximately 20 billion annually—and, on the other, the extension of additional credit to Slovak banks—in other words, to the Slovak economy—from banking resources that have come into being in the Czech Republic, a development that, by the end of last year, had represented a Czech creditor position of virtually Kc25 billion. Thus, both of these resources remain available to the Czech economy.

However, existing developments are finding other ways of drawing on these resources. The creditor position of Czech enterprises, this time taking the form of clearing payments concentrated with the central banks of both countries, is approaching the level of Kc2 billion in just two months.

It can be realistically anticipated that one-sided and mutually isolated approaches will not be adequate to effect a solution. Although, on the Slovak side, the devaluation of the Slovak koruna by 5 percent against the joint accounting unit of the ECU [European Currency Unit] was accomplished, it is a meaningless solution that cannot be reflected in the increased interest on the part of Slovak enterprises to raise exports to the Czech Republic. There is clearly not much appetite to accomplish a direct devaluation of the Slovak koruna against the Czech koruna, obviously for prestige and political reasons. And even this step could not be sufficiently effective because the extent of commercial relationships that take place within the area of direct convertibility between both of the currencies involved is, by far, not even decisive.

A more effective solution can be brought about by the Slovak side through other approaches. Primarily, if the Slovak side does not wish to remain in the position of a debtor, and if interests in effecting correct international relationships predominate, there is no choice other than to institute foreign exchange regulation, including the abandonment of the existing regime of the internal convertibility of the koruna. Such steps are already beginning to be taken by the National Bank of Slovakia

as it readjusts the conditions under which payments are made to foreign countries. Those moves should also include the introduction of an import tariff and, gradually, even complete restrictions imposed on the foreign exchange economy, involving such restrictions on imports that would make it possible for revenues based on exports to cover even the payments on accepted foreign credits. That is a realistic expectation in view of the difficulty involved in the quick adaptation of the production and sales structure in Slovak industry and agriculture. That is precisely what the Czech side—the consumers as well as the enterprises—must figure on.

Or, in the event the Slovak side wishes to stick with the predominance of Czech imports, in view of the existing production structure of its industry, there will be no choice but to seek foreign credits. There are undoubtedly the opportunities of making the customary use of the initial credit draws from the International Monetary Fund. Even the president of the European Bank for Reconstruction and Development has promised to participate, and so forth. The considerations being made by leading Slovak officials are clearly moving in that credit direction. One of the leading bankers expressed that very realistically—let the vice governors get together, fly around the world five times, and not be allowed to return until they come up with money.

On the Czech side, the revaluation of the koruna against the ECU by 2 percent is more a symbolic expression of the situation but will lead to dampening interest in imports from Slovakia to an even lesser degree than is true in Slovakia. The fact that the situation will be solved with adequate rapidity only by the adjustments made to the rate of exchange, by the foreign exchange situation, or by market conditions of the enterprises themselves cannot be relied upon, nor are Czech enterprises likely to effect timely reorientation merely on the basis of clearing agreements. The development of uncollectible claims by the previous regime, involving Libya, Syria, Cuba,

Russia, and so forth, that developed at a time when production enjoyed priority without regard to payment and the inflationary actions of a positive balance of payments that was created in that way should act as a warning. Reorientation toward Western markets is essential but will be more difficult than had been anticipated. In the countries of the European Community alone, economic activity has declined (the real gross domestic product, which showed a growth rate of 2.8 percent in 1990, is gradually declining and, for this year, is expected to amount to a growth rate of only 0.8 percent).

Existing Czech-Slovak economic relationships are thus characterized by 70 years of development in terms of their extent and structure. It is turning out that unilateral government steps are not sufficient to overcome them rapidly, particularly if such steps are purely systemic in nature. And not even unilateral pressures or politicizing the problems can lead to a solution. Without a bilateral appetite for consensus, it is impossible to overcome the economic legacy of the past, which, from the standpoint of the requirements of economic transformation, is becoming a deadweight for the Czech Republic. However, that will require the Czech side, as the creditor side, to be forthcoming to a certain extent, to seek to temporarily relieve the difficult Slovak situation in the interest of preserving the long-term advantages inherent in the disintegration of the nonfunctioning federation, which is making the Czech economy as well as its transformation strategy difficult.

A condition for the success of such a weighty approach by the Czech side in seeking ways out of the situation is, of course, absolute correctness in negotiations between both partners, a situation in which the rational and forthcoming approach by economists on the one side will not clash with the approach adopted by economic adventurers on the other.

*** Presidential Economic Adviser Interviewed**

93BA0759A Sofia 168 CHASA in Bulgarian 16 Feb 93
p 9

[Interview with Bulgarian presidential economic adviser Mariana Todorova by Aglaya Shamlieva; place and date not given: "Europe Did Not Want a Marshall Plan for Former Socialist Countries"]

[Text] *Europe has refused to do what the United States did after World War II, according to Mariana Todorova.*

Starting on 1 March, Mariana Todorova will direct the negotiations on Bulgaria's foreign debt. Ms. Todorova is an economic adviser to the president. She knows English, French, Russian, and Spanish. She completed foreign trade studies in Sofia and, in Moscow, defended a dissertation on "Financial Currency Problems of Cooperation Among CEMA Member Countries and Developing Countries Under Conditions of Restructuring of International Economic Relations."

She later became too politically inconvenient for a scholarly career, and was soon unemployed. She took part in establishment of the SDS [Union of Democratic Forces] in February 1990. Her new problems with the government began with the shutting down of the Ministry of Foreign Economic Relations, something that she still considers a serious error. She also resigned at the end of 1991 as chairwoman of the Interdepartmental Commission on Foreign Debt Management. Her resignation was the result of fundamental disagreements over debt management. The commission was abolished at the recommendation of the Kostov-Pushkarov duo, and debt management gave more power to the finance minister.

Mariana Todorova remained silent for six months, breaking the silence only in May 1992, when she stated to 168 CHASA that "we are suspended in the air. Everything is being patched up, and it is not clear who bears responsibility." Then it became clear why she was removed from the debt commission. "A member of Parliament told me earlier that I could not conduct the negotiations because I did not campaign for the SDS in the elections."

[Shamlieva] Eleven years ago Mexico announced suspension of payments on its foreign debt and instituted the debt crisis principle. Since that time the strategy for solving the foreign debt problem has evolved in the direction of distribution of burdens among creditors and debtors and has achieved considerable success. Is it possible for Eastern Europe's foreign debt problem to be solved in the name of a unified Europe?

[Todorova] This question must be considered instead in the context of the struggle for leadership among three centers, Europe, the United States, and Japan. Essentially the competition for economic predominance is being conducted by creating regional groupings with

extremely great economic potential such as the United States-Canada-Mexico, Japan-the Pacific region, and the European economic area.

I believe that the change of administration in the United States is related to this process in a specific way. I believe that there are many people in this administration embarrassed by Japan's economic achievements. They are also alarmed by the economic alliance being formed in Western Europe, despite the fact that our continent finds itself in a complicated situation. The division of leadership in the world means to Europe taking its fate into its own hands, considering the incredible potential and threats facing it.

The greatest challenge is the collapse of communism. And now Western European capital is confronted by a very serious dilemma, whether to continue the competition with the other two centers as an equal partner or to accept the challenge by the Eastern half, by investing in its future economic power. Not a single country of Central and Eastern Europe will be ready for membership in the European Community next year. At the same time, the problems are so frightening that they cannot be disregarded.

Europe is taken aback by the high responsibility that history has assigned to it, the responsibility to do for the former communist countries what the United States did for Europe after World War II. The most brutal evidence of this is the agony in former Yugoslavia. It might seem that I am wandering away from the subject, but these considerations make sense from the viewpoint of the emerging differentiated approach to the countries of the Eastern half. The reason is that in effect the European community can use the association conventions, that is, the so-called European agreements, to impose a different pace and different time of membership of individual countries.

The enormous foreign debt inherited from the communist regime has become one of the most significant factors holding up the process. The lack of understanding of this process, and of the corresponding support, condemns the countries with large foreign indebtedness to being marginalized. In the process of transition to a market economy the foreign debt problem becomes a factor which determines incorporation of the individual countries into the unified European economic area. At the same time, the absence of suitable solutions by the Economic Community for speeding up participation by all the countries in the process of establishment of this area can create the conditions for instability in the future and for compromising Europe in the fight for world economic leadership.

[Shamlieva] What was the strategy of the banks when they gave this credit, and what is this strategy now that they want to get it back? Have you considered repayment or have you made a political sacrifice in the name of integration?

[Todorova] Political sacrifice by the banks, never. They have been oppressed by the presence of free capital. They did not make an assessment of the risk in the Eastern European countries. The crisis in Latin American was moving ahead at full speed during those years. When they gave us loans to allow us to refinance our debt payments, they were receiving no payments from Latin America. There was another important circumstance. The main creditors in Latin America are the American banks, never Japanese ones. They are mostly Western European banks in Eastern Europe.

[Shamlieva] And so will we fall through the cracks, or will we be a victim of the political confrontation?

[Todorova] Why should we establish ourselves in a dying system? Mankind is moving toward a new type of economy, one in which information plays a fundamental role. In other words, the world is shifting from an economy based on physical strength to one based on human intellect and capabilities. And against the background of this major transition we in Eastern Europe are struggling to make a transition of our own, which will ultimately lead us to the same thing, but will force us to compress the past 50 to 70 years.

Enter here the role of regulation, the sensible principle in the transition. The collapse of our traditional markets has had a dramatic effect on the drop in production. But the basic problem has not been reorientation of exports toward Western markets or increase in efficiency. The reason is that there are products whose markets have been exhausted for good. Others are in need of complete restructuring. Still others have gone bankrupt without our noticing it. And in the final analysis we find that the problem is how to manage liquidation of the enterprises.

The problem of the enterprises is a symptom of the lack of understanding of the fundamental role of the state (government) in a changing economy. Changes cannot be made without regulation. The state writes the rules of the future game. And this is done in America with all the institutions and agents of the market economy already present. It would be much easier to do everything, because we are now creating these institutions and agents.

[Shamlieva] You are saying that government must continue to play a very prominent part.

[Todorova] Yes, I am not afraid of saying it, an even larger part than under socialism. You see, socialism only planned in terms of quantities, and now it is a question of planning the future of the country, of laying the foundations of a modern economic system. It appears to me that in the past only Jacques Atalier, the president of the European Bank, has given any thought to the matter of how Eastern Europe will be incorporated into the restructuring of the world economic system.

The debt problem is part of this incorporation. It must be solved in such a way that it will become a factor slowing down the development of some countries in the process of developing the European area. The Brady Plan strategy has been terminated in Latin America and is not valid for Eastern Europe.

[Shamlieva] Where did Poland get the courage to reduce its payments on its short-term debts?

[Todorova] I make no mistake when I say that Poland got its courage from our stubbornness and persistence. I am absolutely convinced that they got it nowhere else, but because of our internal political problems we may not make use of our own accomplishments. Others, however, are doing it without effort.

*** Hankiss to Antall: 'Party-State' TV Restored**

93CH0555A Budapest MAGYAR HIRLAP in
Hungarian 6 Apr 93 p 7

[Open letter to Prime Minister Jozsef Antall by Elemer Hankiss, recently discharged president of Hungarian Television: "Is There a Reversion to the Party-State at Hungarian Television?"]

[Text] The Honorable Jozsef Antall the Prime Minister
Dear Sir:

I sincerely regret that we have come into conflict with each other during the past two years, because I had valued your friendship. But I think that Hungarian society has gained, rather than lost, from the controversy over Hungarian Radio and Hungarian Television, because that controversy, in its modest way, has helped to forge for nascent Hungarian democracy certain fundamental rules of the game and patterns of behavior. If that is what really happened, then the price we all have had to pay has perhaps not been so high after all. And had this conflict during the past months remained a struggle between contrasting principles and convictions, a struggle in which both sides disputed, but at the same time also respected, each other's standpoints while attempting to establish within the framework of legality and fairness that their respective standpoints are right, perhaps even our friendship could have survived.

Now in the process of leaving, allow me to state my opinion about the latest events in the media conflict. You will probably accuse me once again merely of "loosing sight of the relative importance of things," of bothering you yet again with such insignificant matters, amidst your national political concerns. However, I would like to remind you that not we, but you politicians were the ones who whipped the media affair into a national storm. Had we been left alone, we would have worked peacefully and quietly; people would not even have heard of us.

How and where should I begin? If I were deriving pleasure from the government's and your own fiascoes, I would now have to congratulate you with irony, over your successful and also woeful transformation of Hungarian Television or, more accurately, over its successful reversion.

You and the leaders of the opposition commissioned me to transform the party-state television into a public service television of the European type. Hungarian Television had been functioning as an independent institutions for 2.5 years. But during the past two or three months you have placed it under the government's, and indirectly the ruling party's, oversight. And in recent weeks Gabor Nahlik, with your and the government's approval, has restored the old, party-state television's centralized and hierarchic organizational structure and rules of operation and procedure. Item by item, and word for word.

In conjunction with this, allow me to make two comments. First, you as a historian obviously know better than I do that, even if the wheel of history still exists, it can be turned back only temporarily, and one cannot be certain that it is worth turning back.

Second, you as a politician probably have stopped to consider what advantages your government and party can derive from this feverish and avid campaign to gain ground. And you evidently have concluded that the gains outweigh the obvious losses this is causing the country. For it can hardly be denied that the country has suffered a loss when you liquidated an autonomous institution of the European type, thereby setting us back—at least in this area—among our East European and Balkan neighbors. Among those who have retained after 1989 the government's or the ruling party's control over—the necessary changes having been made—public service television. For no matter how we prevaricate, the fact remains that this certainly has impaired our European-ness.

And because in the long or not so long run this harms not just the country, but your government and party as well, it would not be tactful of me to congratulate you on this campaign.

I must also admit that I have lost the thread. Namely, the thread along which you are shaping your party politics. I fail to understand, for instance, why you have carried out with such zeal and professorial thoroughness, step by step, Istvan Csurka's plan for the occupation of Hungarian Television and Hungarian Radio, placing in key positions his followers, rather than your own or not just your own people, meanwhile trying—belatedly, but nevertheless trying—to neutralize him and his group within the MDF [Hungarian Democratic Forum].

I also fail to understand why you people, who have been stressing constantly the need for changing the political systems, have undertaken here the exact opposite, namely the old political system's restoration. How should I interpret this? The way everyone else does who knows the facts and takes them into consideration.

We at Hungarian Television carried out the change of political systems (in the true sense of that word), as well as the change of personnel, already in 1990. But now, with your and the Hungarian government's support, Gabor Nahlik has brought back to Hungarian Television the old party-state team. Let me list the facts.

Of the ten or so managers Gabor Nahlik appointed recently, at least three had been Communist Party secretaries. I would like to emphasize already at this point that I am opposed to any kind of witch hunt. I have been and am willing to work together with every decent and talented individual, even if he happened to be a party secretary at one time. But how is it possible that those who are constantly preaching a change of political systems have entrusted the representation of their own cause, specifically in such an extremely sensitive and important area, to three former party secretaries? And if

they prefer party secretaries, why have they not chosen from among the more talented ones?

Another gentleman among the ten had belonged to the leadership of the MSZMP [Hungarian Socialist Workers Party] organization at Hungarian Television and had occupied one of the most confidential journalistic posts under the Kadar regime.

Yet another gentleman who has just been appointed to a key position (he cooled his heels in my waiting room for two years, in the vain hope of getting the same job) used to oversee the institution from a different point of view and on behalf of different interests: for 15 years he had been the main pillar of the SZOT [National Council of Trade Unions] within Hungarian Television, and its trade union secretary. And I certainly do not have to remind you of how harmful a role the SZOT had played even within the Kadar regime, as its conservative opposition.

A further gentleman had versatily served, respectively, the KISZ [Communist Youth League], Hungarian sport and Hungarian society, at MAGYAR IFJUSAG and NEPSPORT, if I remember correctly. In the end Alajos Chrudinak rescued him from UJ MAGYARORSZAG to *Panorama*, where he is attempting to serve the Hungarian nation with similar versatility and dedication, but now in the spirit of *Panorama*.

And it only adds color to the spectrum that the politically most responsible position has been given to the journalist who broke into television several years ago as the producer of the *Who Knows More About the Soviet Union?* program. Otherwise he is a good journalist, but specifically his reverent interviews with you indicate that he is not yet a truly independent spirit. However, I am pleased that, within this team of mixed loyalties—an

ill-chosen one, in my opinion—he at least is loyal to you, the country's prime minister.

Another thing I fail to understand is that, according to some people—although I do not believe them—the presidium of MUK [Hungarian Journalists Association] will henceforth hold its meetings at Hungarian Television, because there are practically more [presidium?] members in the building than elsewhere. (You obviously know better than I that, in terms of its spirit, motives, and personal contacts, MUK has been, and probably still is, much closer to Csurka than to you.)

I must admit that the new team includes one or two better qualified experts, who will have a difficult time wrestling with their consciences over why they ever joined in this unfortunate undertaking.

Finally, I do not understand how you were able to entrust the management of one of the most important public institutions in the country to Gabor Nahlik, the very person of whose inaptitude, to the best of my knowledge, you yourself had been convinced a few months earlier.

Sir, escaping from this, by now unfortunate, conflict, I am pleased to be able to watch the development of national affairs from the outside. Let me assure you that I am not rejoicing over your or the government's fiascoes (or over those of the opposition), because they are primarily the country's fiascoes, regardless of who is responsible or irresponsible. Merely by way of bidding you farewell, I wish to say that, in my opinion, the occupation of Hungarian Television, especially with this team of veterans, does not serve the country's interests. And in the longer term, it does not serve the interests of your government either.

Respectfully yours,
Elemér Hankiss

28 March 1993

*** Specifics on Military Restructuring, Reform Noted**

*** Goals Presented**

93EP0231A Warsaw POLSKA ZBROJNA in Polish 29 Mar 93 pp 1, 5

[Article by Janusz B. Grochowski: "The Military Is Getting Restructured"]

[Text] *The organizational reforms of the central institutions of the Ministry of National Defense and the General Staff of the Polish Army are nearly over. By 1995, the deployment and structures of the military are to be altered. Providing the units with modern equipment hinges on budget possibilities.*

At a meeting of the Sejm's National Defense Committee that was closed to reporters, a proposal for restructuring the armed forces was presented to the deputies. Although the work on that project is greatly advanced, its concept is still open to further modifications, allowing for outside suggestions. Moreover, it still requires the approval of the president and the prime minister.

"The purpose of the reform is to adapt the structure of the armed forces to the new strategic concepts," we were told by Janusz Onyszkiewicz, minister of national defense. The general directions of the reforms have long been known. The principal problem is a more balanced deployment of troops throughout the national territory. At present, as much as 75 percent of the units is deployed in the western borderlands of the Republic. The aim is to rapidly change this situation. It is expected that, by 1995, at least 45 percent of the Polish combat forces will be stationed in the eastern districts.

At the same time, it is expected that the army divisional and regimental structure inherited from the Warsaw Pact will be abandoned. A division and brigade structure warranting greater flexibility of action is being gradually introduced. The core of the Army is to consist of more or less completely cadre-staffed units, which hence are highly combat-ready and operational.

The pilot district for the structural reforms is, in a sense, the newly established Krakow Military District. It is expected to operate two assault-landing brigades. At least one rapid-response unit is to operate in each military district. These units will consist of superbly trained and well-armed soldiers, and they also will be equipped with means of transportation, allowing their nearly immediate deployment to threatened areas.

Organizational reforms, especially such large-scale ones as are being scheduled for the military, are expensive. Unfortunately, the Defense Ministry's funds are limited. That may place in doubt the feasibility of the reforms. "Of course, we cannot live in cloud-cuckooland." In Minister Onyszkiewicz's opinion, for the time being, the chances for a significant increase in the ministry's budget

are low. It is assumed, however, that defense expenditures will gradually increase as the country's economic situation improves. A 2-percent share of those expenditures in the rising national income would serve to carry out such a thorough restructuring of the armed forces.

Janusz Onyszkiewicz explicitly stressed that the reform of the military is not in response to the unstable situation in the East. "It was prepared and has been ongoing for some time."

It is worth noting that the decision to restructure the ministry and the armed forces was made by the Jan Krzysztof Bielecki administration in July 1991. Accomplishing this undertaking requires ending the provisional condition in which the armed forces have existed for many years.

For the time being, during the first stage, for nearly the past three months, a reorganization of the central institutions of the Ministry of National Defense and the General Staff has been under way.

"Properly speaking, this process is nearing its end." Minister Janusz Onyszkiewicz estimated that the new structures should begin to operate fully as soon as this coming April. They are to be consonant with the solutions tried and tested in the democratic countries, and, above all, they should safeguard the exercise of political control by the public over the nation's armed forces.

This does not mean that, once the "critical mass" of the reforms is reached, complete organizational stability will set in. The changes under way are and will remain an ongoing process, and, by the same token, the original program will be continually revised as the need arises. Besides, the first revisions have already been made. Above all, the creation of separate financial and personnel services within the civilian-military structure of the Ministry of National Defense and the General Staff has been abandoned. "Departments serving both the ministry and the armed forces will be integrated."

The staff structures now include, upon allowing for the wishes of the deputies as well, the Department of Sports and Physical Culture, which is initially to be under the jurisdiction of the deputy minister for social services.

There was no dearth of problems, either, when defining the scope of powers of discrete departments, especially those handling the logistics and infrastructure of the armed forces. The point was not only to develop a clear and precise definition of the responsibilities of corresponding directorates of the General Staff and departments under the jurisdiction of the deputy minister for infrastructure and ordnance but also to avert any interruptions whatsoever in the flow of military supplies.

"This fortunately proved possible, and everything is running fine," commented the defense minister. This

was accomplished even though the surgery was performed on a living organism—and one unusually important to national security—and it was not possible to hang out a sign saying, “Closed—Reorganization in Progress.”

At present, the Office of the Quartermaster General is no longer operating, and neither is the institution of the chief equipment inspector.

But less progress has been achieved so far in “civilianizing” the ministry. “Unfortunately, there are not many civilian counterpart experts.”

Still, Minister Onyszkiewicz does not intend to announce a special hiring drive. A person’s expertise is more important than whether he wears mufti. For the time being, the military holds most of the executive posts at the Ministry of National Defense; to be sure, at the General Staff this is more a matter of course. At the ministry, they are holdovers from the previous structures. The proportions between military and civilian executives at the ministry will certainly gradually change, if only because the military ceased to be a hermetically sealed organism. Besides, in the opinion of Ignacy Dudojc, leader of the minister’s team of experts, the problem is not to identify candidates for heads of departments—“at times they are too numerous”—but to find individuals in whom suitably high professional qualifications are combined with deep familiarity with the specific nature of the military. Another constraint is the ministry’s limited financial possibilities, which may result in that, for some time, certain positions will simply remain unstaffed. That will apply chiefly to the newly established departments and offices.

Also being prepared is a new amendment to the Universal Military Training Act, which would legally regulate relations among the ministry’s departments and with outside institutions. “I believe that the chief of staff, who directs such an unusually important national organism as the armed forces, should be subject to parliamentary control. And that can be accomplished only through the minister of national defense, who is accountable to the Sejm for the overall performance of his ministry, including the military,” Janusz Onyszkiewicz declared. Regardless of the manner in which these issues are legally settled, there apparently exists a consensus on the harmfulness of delaying organizational changes.

“They have to be accomplished, even if in the awareness that certain solutions are provisional and will have to be revised,” Director Dudojc commented.

* Problems, Solutions Viewed

93EP0231B Warsaw POLSKA ZBROJNA in Polish 30 Mar 93 p 4

[Article by Andrzej Medykowski: “What the Strategists Are Pondering,” under the rubric “Reform of the Military”]

[Text] Nowadays, Central-East Europe in no way resembles the recent bloc of countries linked by a political-military alliance and fairly close economic ties. The systemic and doctrinal changes and, above all, the change in the political and economic realities necessitate a variety of new measures concerning our national defense. The heart of the matter is that nowadays the point is not to defend the system of society but to defend our people and national territory against external military threats. An important practical problem is to provide the conditions for an effective accomplishment of objectives. In this connection, the issue of a balanced territorial deployment of defense forces and especially of their principal components, the armed forces, is being quite often raised.

The need to deploy the armed forces uniformly on our national territory appears incontestable. Only the pace at which this need is being met and the attendant cost evoke reservations because a substantial number of heretofore military facilities in western Poland would have to be converted to civilian use, and such conversion would be unusually costly.

A Burdensome Legacy

The pattern of deployment of our troops until 1989 was dictated by considerations not relevant to our actual defense needs. The most important of those considerations were the views of the heads of the USSR Government on the purposes and nature of eventual war and the preparations for its conduct. Allowance also has to be made for the abundance of garrison facilities in the territories incorporated in our country in 1945.

The objectives and structure of our armed forces ensued from the nature of dependence on the USSR and, subsequently, from Poland’s membership and role in the Warsaw Pact. Accordingly, two military districts, the Pomeranian and the Silesian, were well organized and armed, while the Warsaw Military District, encompassing nearly the entire eastern half of Poland, was treated as a “rear echelon” area, with skeleton units housed in neglected barracks dating back to the time of the partitioning powers and armed with archaic equipment.

In the late 1980’s, the decision was made to disband some of the bases in the Warsaw Military District or convert them to supply bases. That was accompanied by tempestuous discussion and marked differences in views. The military defended its status quo, but not always very convincingly. Some of the controversies concerned more the procedure for transferring facilities to civilian administration than the transfer itself. After a while, the issue sank into oblivion, as it were, but was revived with the dissolution of the Warsaw Pact and the Polish Government’s emphasis on its intent to join the European economic and military structures. The collapse of the USSR, the disastrous state of the economies of the newly established CIS countries, and the threat of mass immigration from the East pointed to the need to deploy military units in the eastern part of Poland.

Already then the idea of establishing the Krakow Military District had begun to ripen.

To Redeploy or Not To Redeploy?

When the future model of our armed forces is being considered, one of the attendant questions is whether our military should be of the same nature in the future as it is at present or should be completely different. Theoreticians and practitioners are in accord that our armed forces should be more mobile, that commanders should have at their disposal units capable of rapid movement and operation anywhere on our national territory. Considering the small distances involved, they place in doubt the expediency of a mass redeployment of our units so as to balance more uniformly their stationing across the national territory.

They argue that, because the concept of organizing rapid-response forces exists, its implementation should halt or, at any rate, curtail any large-scale redeployment of units from the western to the eastern half of the country. They point out that lopsidedly deployed units can, if properly organized and maneuverable, accomplish missions for which well-deployed units are envisaged. For this reason, they emphasize, increasing the maneuverability of troops would be a better solution than redeploying them. As to the question about the costs of both approaches, it has not yet been answered.

Another argument against troop redeployment is that, inasmuch as we intend to change the structure of our armed forces, we should first thoroughly work out and discuss and revise all of the details and compute the cost of the undertaking as well as the financial possibilities of the state, and only then begin to carry it out. The limited financial possibilities of the state cause arguments of this kind to be difficult to rebut.

There still remains the highly important problem of the mood of security in eastern Polish localities. Conversations in the border voivodships indicate that the population of eastern Poland would welcome the stationing of military units there because "it is safer with the military." To be sure, the feeling of a military threat from the neighboring countries is minimal, but there exist grave apprehensions about a mass immigration of people depressed by the catastrophic economic situation and hopelessness of life in their countries. In the absence of any substantial order-keeping forces, the military could play a stabilizing role in the local communities.

Not unimportant also are hopes for the revival of certain domains of the life of eastern Poland with the stationing of military units there, such as construction, food processing, trade and services, and even culture. Here it should be borne in mind that the territories east of the Vistula River are afflicted by unemployment exceeding 20 percent in some regions, which has resulted in a marked decline in living standards there.

The Model of the 1990's

Recently, the assumptions of the model of the armed forces of the 1990's have been worked out. They were presented in this newspaper. The size of our future armed forces is to be 230,000 to 250,000 in peacetime and 750,000 to 800,000 when mobilized. They would include the land Army (140,000 in the four military districts, of which the following operational troops: nine mechanized divisions, six mechanized brigades, two assault-landing brigades, two brigades of mountain infantry, the necessary number of branch-of-service troops, and regional defense troops), Air Force and Air Defense Troops, and the Navy.

A postulated model and the structure of the armed forces of the 1990's were also presented by the Department of Strategy and Defense, Academy of National Defense.

A functional division into operational and territorial-defense troops has been proposed. The armed forces would consist of the land Army, the Air Force and Air Defense Troops (or air forces that include aviation and air defense forces), and the Navy.

Under this concept, there would have to be established a high command of the land troops to which the commands of the four military districts would be subordinated. Each military district would have an integrated staff headquarters of its own, from which an operational command (for example, a corps commands) would be isolated in time of war, while the remaining district command, with the remaining staff headquarters, would attend to organizing and conducting the defense of the district.

The military districts would consist of three or four divisional-strength tactical units each. One exception would be the Krakow Military District, which would have five or six specialized brigades (for example, armored, air-land, assault, mountain-infantry, and so forth). In addition, each district would include the needed number of support and supply units.

Last, it is worth noting that Polish strategy is based on the mass nature of defense, on its early preparation and coordinated action by broadly interpreted operational troops and territorial defense troops. The mass nature of defense consists in the utilization of all of the human and material resources for national defense; sometimes the term "total defense" is employed.

In total defense, a vital role is ascribed to territorial (regional) defense, consisting of regular elements (territorial commands, troops, and military elements of operational preparation of terrain) as well as of others subordinated to command organs in crisis situations and wartime.

Those troops would chiefly consist of mobilized units provided with specialized equipment and armed with equipment not included in treaty clauses—basically light arms—to a large extent of older types. The barracks and

depot infrastructure could be pared to the bone, and the cost of organizing such units and maintaining them in action-ready status would be only a fraction of the corresponding cost for operational troop units.

Their maneuverability and firepower would certainly be smaller, but, if it is considered that they would be operating in fortified terrain and defending their home territory, it can be assumed that they shall do so not only sacrificially but also effectively.

[Box, p 4]

In eastern Poland, there are practically no military units, nor are there barracks for them or housing for the cadres, communication hubs, storage facilities, drill squares, and so forth. Redeployment would require huge financial expenditures and a certain amount of time because changing the location of the units would be merely the last stage of an entire complex process.

[Box, p 4]

Troop redeployment should be subordinated to a paramount goal—namely, to changes in the structure of the armed forces and its adaptation to actual needs of national defense. That process should not be viewed as an isolated objective but as one of the objectives when planning effective armed forces.

[Box, p 4]

The structure and deployment of the armed forces should be planned with allowance for their counterparts in the neighboring countries. If those countries have the potential for an operational use of armed forces on our national territory, we correspondingly should be able to effectively counteract such eventual aggression. The so-called principle of correspondence should be preserved, meaning that the size and structure of the armed forces should make it possible to wage warfare on equal terms.

*** Restructuring of Air Defense Forces Profiled**

93EP0230A Warsaw PRZEGLAD WOJSK
LOTNICZYCH in Polish No 2, Feb 1992 pp 3-8

[Interview with Gen. Bde. Henryk Pietrzak, chief of staff of the Air Force and the Air Defense Forces, by Colonel J. Gomolka; place and date not given: "Integration and Restructuring of the Air Force and the Air Defense Forces"]

[Text] [Gomolka] It has been more than two years since the WL [Air Force] and WOPK [National Air Defense Forces] were combined into the WLOP [Air Force and Air Defense Forces]. From the beginning, you have been the chief of staff—that is, the main organizer of work of the WLOP staff. Is it possible to conclude that these forces have been fully integrated as far as their organization, training, and command, control, and communication are concerned, as well as the legal framework of this operation?

[Pietrzak] The integration of two branches of the armed forces, WOPK and the WL, into one branch of the armed forces, the WLOP, was, in my opinion, both necessary and beneficial for their troops and staffs alike, not to mention the rest of the armed forces. It has made one commander responsible for all of the tasks of air defense (OP). Furthermore, the integration has increased OP's combat capabilities, having concentrated the reconnaissance and combat means (including the fighter aircraft) at the disposal of only one commander, as opposed to the previous situation wherein they were controlled by commanders of two different branches of the armed forces. In addition, the integration has unified and simplified OP's organization and command system. It has also made it possible to simultaneously carry out OP tasks and attack enemy targets deep inside their positions, as well as provide support for the ground forces and the MW [Navy] by other means of the air force (LMB [fighter-bomber air force] and attack helicopters). Finally, it has eliminated the overlapping systems of flight control and maintenance—the number of units and personnel decreased but without decreasing the level of their combat readiness and quality of training.

This may lead one to conclude that the integration has been completed and that WLOP functions now as one entity, as has been indicated by WLOP's everyday training and exercises—from the tactical to the higher level—conducted by the WLOP commander.

However, I think that integration has not yet been fully achieved. As it turned out, life itself preempted legislative work. The staffs at various levels are still working on the legal framework of this reorganization. In addition, the old habits die hard in the various departments of the WLOP staff and units, despite the fact that most positions have been filled with the new generation of officers. (That conflict between two generations is expressed by the "us" and "them" division.)

In addition, I think the integration of OP means and resources—in a context broader than one discussed here, beyond the confines of the WLOP—has been on the agenda of the Polish Armed Forces' leadership.

The main burden of the unified air defense system is shared by the WLOP. However, selected means and resources of the ground forces, especially the AA [expansion unknown] troops, as well as the MW, participate in this system, too.

The concept of a unified OP system should, in my opinion, include:

- One-command center's responsibility for the organization and functioning of the whole system.
- The integration of subsystems responsible for reconnaissance and detection, as well as the active combat means still dispersed throughout various branches of the armed forces.
- Steps to prevent friendly fire between the air crews and the ground forces and vice versa.
- Low development costs of that system.

These prerequisites demand that all means and resources that constitute various subsystems of the unified OP system be integrated as far as their organization and training are concerned. The WLOP staff has worked out a position paper on this matter and submitted it to the armed forces' leadership. To be sure, we have not denied the necessity of the ground forces' preserving their separate AA system.

[Gomolka] The military doctrine of the RP [Republic of Poland] has changed. The restructuring of the armed forces, including the WLOP, is under way. This has resulted in major organizational changes, relocation of the Army units, and cuts in personnel and equipment. What does it mean for the WLOP?

[Pietrzak] The process of the troop reorganization began when the WL merged with WOPK. In its initial stage, the reorganization was nothing more than adjusting the organization of the newly established headquarters, divisions, and other units to their new assignments. Many WL units have been disbanded (for example, 4 DLM [4th Fighter Division], 3 and 45 LPSZB [3d and 4th Air Combat Training Regiments]), while others have been reshaped or relocated. As a result, the WL has lost approximately 6,500 personnel posts and a certain number of aircraft, helicopters, and other pieces of armament and equipment.

In the next stage of restructuring, undertaken last year, a model of a unified, integrated, national air defense system of the Polish Republic was devised. In addition, the organization of headquarters and units at various levels was adjusted to that model and to the new structure of the General Staff of the WP [Polish Army].

We assume that the structural change will have an evolutionary character as the new generation of armament and equipment is replacing the obsolete one. This process will be accompanied by a gradual, more or less routine retiring of the personnel, especially the best-trained professional soldiers, including pilots.

[Gomolka] Has work on the new structure of air defense been completed yet? [Pietrzak] One of the plans drafted by the WLOP envisions the completion of that process in two phases.

In the first phase, until 1996, the OP system will be composed of means and resources deployed in the OP regions (KOP [Air Defense Corps]). Each of them would be composed of a few OP sectors, commanded by PISD [Joint Command Posts], whose commanders would be authorized to use the means deployed in their sectors.

The missile and radio engineering units will be organized in regiments. The next two fighter regiments, one fighter-bomber regiment, and a score of the missile subunits will be disbanded. An air corps will be reshaped.

The system of logistical support will be organized in an entirely different manner. The crux of the proposed changes is to establish logistic support regions, which

would include WLOP technical and supply units stationed in a given military district. We take it that a logistic support region ought to be organized as a stationary unit, although including some mobile elements capable of supporting the WL's maneuver (shuttle) operations.

In the second phase, by 2006, Poland's air defense system will be transformed into an entirely new structure, fully compatible with the Western systems functioning in the majority of NATO countries (but it will depend on the introduction of the new generation of equipment). I have to emphasize that this transformation will be possible only after the Polish armed forces acquire weapons and equipment of the new generation—multitask aircraft, ground-support aircraft, mobile missile systems, as well as the new communication systems and the radio-electronic data-collection systems. The basic organizational unit of the air defense system will be an OP sector. The number will be approximately half of today's PISD zones. The commander of a sector will be in charge of all OP means and resources stationed in that sector at any given moment in the sector for which he is responsible.

At this point, we would like to remove from those air wings not only the supply units, the communications units, and the defense units but also the technical units, and we would like to include them in the air bases. Such a solution means that the maneuverability of the WL would be expanded. In the January issue of PRZEGLAD WOJSK LOTNICZYCH, the commander of the WLOP suggested that.

[Gomolka] What significant effect would those suggested changes bring?

[Pietrzak] As a result of changes planned for the first phase, the WLOP is going to lose approximately 30 percent of the personnel posts, compared with the 1992 level. The implementation of structures planned for the second phase will further decrease the number of troops, although only slightly.

I would like to emphasize that our plans include the establishment of structures compatible with the NATO structures.

[Gomolka] Which air and/or missile units will be disbanded soonest?

[Pietrzak] One air regiment and a few missile subunits, whose antiaircraft missile systems [PZR] became obsolete, will be disbanded in 1993. As a result, approximately 3,000 WLOP personnel will be cut.

To preempt your next question, I have to add that this will not lead to a premature retirement of the professional military personnel. As a matter of fact, the number of personnel who, in a given year, are retired for age, health, or personal reasons, is much higher than the number of positions affected by those cuts.

[Gomolka] The changes the WLOP has undergone are enormous. How will they affect the troops' combat readiness and ability to accomplish their tasks?

[Pietrzak] As I have mentioned, the changes the WLOP units are undergoing have not drastically affected the level of their combat readiness. They maintain the prescribed combat-readiness status, ready to move quickly to the higher levels of readiness, leave their permanent bases, and deploy where needed. The changes in the quantity of the WLOP troops should be accompanied by changes of their quality—simultaneously with the replacement of their equipment. Thus, if the troops do not receive the new armament within the next few years, the WLOP combat capabilities will decrease significantly.

[Gomolka] Will the soldiers be able to meet the challenge these changes pose?

[Pietrzak] I am sure they will. I am inclined to say so, knowing the positive results of the units' training in the past two, uneasy years of the WLOP's existence, which results have been confirmed by various supervisory agencies, including the Inspectorate of the Armed Forces.

[Gomolka] Will the command and communications systems prove themselves to be effective?

[Pietrzak] I do not hide the fact that a significant percentage of our fighting force (this would include the most maneuverable fighter aircraft) is equipped with outdated material. It is necessary that a gradual exchange of parts of a newer generation take place, but that will depend on the financial situation of our country. In addition, the missile systems have to be replaced as well—by mobile ones.

One way of making the OP system, in general, and the command and control system, in particular, more effective is to implement the new concepts. Despite numerous difficulties, one can see the effects of that work already, primarily in the realm of collecting and disseminating information, as well as in the decision-making process at the command posts.

The concepts that have been implemented have been very well received by our combat units. I would like to point out that the technology that has facilitated the automation of the command process is world class, fully compatible with the NATO systems, in respect to both hardware and software.

Also, the communication systems will be changed. Beginning in 1993, the WLOP will begin receiving the CDK [expansion unknown], a new, entirely Polish-made device, which will upgrade the communication systems considerably. As a result, the circulation of information at the command posts will improve radically, in my opinion.

[Gomolka] You said in another interview that "the main criterion for judging the professionalism of the WLOP soldiers should be their ability to fulfill combat tasks."

[Pietrzak] I would repeat that statement time and again.

[Gomolka] How would that apply to the troops' training?

[Pietrzak] The training the WLOP soldiers receive guarantees the fulfillment of their combat missions. Having taken into account the results of various exercises and inspections, including those conducted by the Inspectorate of the Armed Forces, the WP Chief of Staff rewarded the 2 DLMB, while the WP Main Inspectorate of Equipment rewarded the 25th Air Force Work Shop. The citation of the WLOP commander, which summarized the training results in 1992, listed 15 outstanding units, including the Higher Officers Radio Engineering School, two tactical units [ZT] of the Rocket Forces and two of the Radio Engineering Troops, six air regiments, a communication unit, and two logistic support units. Thus, I think the quality of our soldiers' training confirms the above-mentioned principle.

[Gomolka] Many experienced professionals have left the Air Defense Forces. Are the younger officers just as competent?

[Pietrzak] I am convinced that they will manage. To be sure, a lot depends on their involvement in the everyday training and upgrading of their education—through both self-education and classes in our training centers, officers schools, and the Polish and foreign military academies (including the NATO academies). It is undeniable that the younger soldiers of various ranks yearn for education. For the first time in many years, as many as 100 candidates applied to the National Defense Academy—several times more than the admission quota.

In addition, the process of improving the troops' qualifications is going well. In 1992, more than 23,500 soldiers upgraded their military specialization. As many as 230 pilots and 60 target navigators were reclassified into a higher category.

I would like to take this opportunity to encourage the readers of this popular monthly to learn foreign languages, especially English. There are various avenues to pursue this project—from the ad hoc seminars offered by the particular units and officers clubs, to courses at the air force and air defense schools in Deblin and Jelenia Gora, to programs at the Higher Military School of Foreign Languages in Lodz. I would also encourage the military personnel to study foreign languages privately. The lack of foreign-language proficiency may soon be a decisive factor in one's early retirement.

[Gomolka] Yet another group of commissioned officers, warrant officers, and noncommissioned officers is scheduled to be retired. The officers are still relatively young, but they have no chance of finding jobs outside the military, due to the unemployment situation. What will

the WLOP Command do to help these people? How do you intend to solve the problem of the garrison towns?

[Pietrzak] As I have mentioned, there is no escape from restructuring the air defense forces. It is necessary because we are moving from an emphasis on quantity to an emphasis on quality, because the obsolete equipment is retired, and because the size of the whole Polish armed forces is being reduced.

A preliminary analysis indicates that 20 commissioned officers, 25 warrant officers, and 88 noncommissioned officers may need to be discharged as a result of dissolving a few WLOP units in 1993. Of them, only nine officers, 11 warrant officers, and five noncommissioned officers are eligible for retirement benefits. The rest could serve in other WLOP units if they agree to. This applies especially to the noncommissioned officers because only 60 percent of the noncommissioned positions in the military units are filled. However, if they want those jobs, they will have to leave their garrisons and face temporary separation from their families because of the lack of apartments.

I assure you that the WLOP Command is doing whatever possible to alleviate the results of the unit termination. We are trying to please the professional soldiers as much as we can. However, there are many instances where we are unable to meet their expectations.

Therefore, the WLOP Command has assigned an officer-specialist to take care of the personnel from the restructured units, whether they are surplus officers in need of new assignments or those who have decided to leave the service. This officer remains in close contact with the MON [Ministry of National Defense] Personnel Department, which offers professional retraining courses. Fifteen such courses were available last year. Their graduates may find jobs in sought-after professions or even start their own businesses.

In addition, MON, concerned with the problem of finding employment for the retired military personnel, is conducting negotiations with the Ministry of Labor and Social Policy. Their purpose is to make sure that former military personnel will have priority when applying for jobs in the defense-related sector of the economy.

I am an optimist. I think that a phased, gradual restructuring of the WLOP will enable it to preserve its combat capabilities on the one hand, and optimally deploy the available human resources on the other.

[Gomolka] Thank you for the interview.

*** Closer Business Relations With Hungary Foreseen**

93EP0228D Warsaw RYNKI ZAGRANICZNE in Polish No 37, 27 Mar 93 p 8

[Interview with Mihal Juhasz, director general of the paper industry, by Jozef Zielinski; place and date not given: "New Areas of Cooperation With Hungary"]

[Text] *The Polish-Hungarian Economic Forum in Warsaw established new contacts between enterprises of both countries. It also improved the strategy for cooperation in the economic field.*

Invited to participate in the meeting were directors of Hungarian enterprises recognized abroad such as RABA, Ganz-Ansaldo, Tungsram, and Ikarus, and chief executive officers of enterprises and branches that were relatively little known in the Polish market. These may, however, make a significant contribution to the development of mutual economic relations.

The editors of RYNKI ZAGRANICZNE approached a meeting participant, Mihal Juhasz, director general of the paper industry (Papiripari Vallalat), and asked for an evaluation of the potential for cooperation with Polish partners.

[RYNKI ZAGRANICZNE] The paper industry does not have a great share in trade exchanges between our countries. What have been the major points in cooperation thus far?

[Juhasz] The paper industry is still poorly developed in Hungary. The supply of raw material is modest. Paper production does not have a rich tradition. We have only one paper mill, which has been operating for 212 years. After the war, the paper industry developed quite rapidly, but, on a base of straw, hardwood, and waste paper.

Personnel were mostly trained abroad. I myself am a graduate of the Lodz school. In the 1950's, Poland was the biggest supplier of paper in Hungary. Then Poland was replaced by the USSR and East Germany. In recent years, Hungarian sales to Poland amounted to \$0.5 million and purchases to approximately \$1 million. I believe that opportunities exist to increase exchanges to \$5-10 million. That would be a significant position.

A brake on exchange, however, is customs discrimination, as pointed out by Minister Wacław Niewiarowski. I believe there are some products in the paper industry that would not compete in the Polish and Hungarian markets and could be relieved of duty sooner than what is envisioned in the agreement of the Visegrad Group.

[RYNKI ZAGRANICZNE] Is the paper industry of interest to foreign investors?

[Juhasz] We are convinced that the internal market is somewhat too meager to support efficient production. We are therefore looking for partners mainly in neighboring countries. Poland, which has a significant role in modernizing the Hungarian industry, has also been chosen. Our plants have four paper machines purchased in Cieplice. Discussions are proceeding between Dunapak S.A. and the paper enterprise in Kielce. We have also made significant investments with the participation of the World Bank. Discussions are going on with other Polish partners.

[RYNKI ZAGRANICZNE] How does the Hungarian industry regard the opening to the West?

[Juhasz] Since 1990, Hungary has adopted a complete liberalization of trade exchanges. Our enterprises must become accustomed to new conditions of competition. That is not easy. Hungarian companies are weaker financially than Western companies, and credits carry high interest rates. True, interest rates for credit have been reduced from the maximum 30-percent level to 18-20 percent, but our enterprises cannot compete with Austrian or German companies that can get credit at 5-7 percent.

[RYNKI ZAGRANICZNE] Hungary is known here for reformatory solutions. Which elements of reform would you like to call to our attention?

[Juhasz] The first approach to reform was the basic decentralization that we carried out as early as 1990. Just as in other central and eastern European countries, large organizational units were a combination of profitable and unprofitable enterprises. With a single balance sheet, the differences were blurred. Because we proceeded to reorganize the economic structures even during the relative revitalization of the world economy, enterprises were able, to some degree, to find buyers for their products, and that made it possible to avoid an even greater recession. Nevertheless, many plants could not withstand market pressure and collapsed.

The paper industry was less affected than other branches by the costs of reforms. Eight corporations were formed after decentralization. But we also felt the drop in the Western market in our branch: The decline in demand for food articles in the West decreased the demand for packaging. Production and employment dropped.

[RYNKI ZAGRANICZNE] How are you managing to ameliorate the problems of unemployment?

[Juhasz] In approaching the reorganization of our branch, we let the drop in employment take a natural course by not replacing workers who moved to other trades or retired. Actually, the expected decrease in employment of 5 percent annually was considerably exceeded. The curtailment of sales in the West forced us to greater reduction in personnel. Instead of a 15-percent decrease in three years, the number of workers dropped by 21 percent and even more in some enterprises. This did not, however, result in a social upheaval. We reached an agreement with trade unions, and the compensation paid, which was higher than guaranteed by law, made it possible for many workers to undertake individual operations.

[RYNKI ZAGRANICZNE] Thank you.

* New Zealand Sees Opportunities To Help Poland

93EP0228A Warsaw RYNKI ZAGRANICZNE in Polish
No 39, 1 Apr 93 p 8

[Article by AK: "Closer Relations With New Zealand"]

[Text] As we have already reported, James Bolger, the prime minister of New Zealand, visited Poland a few days ago. Ours is the only country in Central Europe the New Zealand prime minister visited during this trip, which indicates an interest in political and economic exchanges. Moreover, New Zealand supported Polish reforms by earmarking 150,000 U.S. dollars for managerial and technical assistance.

In addition to Poland, Bolger visited Ireland, Great Britain, and Brussels and went to Moscow from Warsaw. Being the leader of the ruling National Party at the same time, he was looking in this way for wider contacts with the outside world, contacts having been weakened during the rule of the Labor Party.

Economic relations between New Zealand and Poland are not very lively, which is probably due to the great distance and inadequate information about mutual needs and potential. Trade exchange is governed by the agreement of 1965, which contains a most-favored-nation clause. Moreover, New Zealand accorded Poland preferential customs status within the GSP [expansion unknown] framework. An agreement on cooperation between the Ministry of Agriculture and the Food Industry and the New Zealand Ministry of Agriculture has been in force for the past three years; this covers research work, technological exchanges, and marketing.

Trade with New Zealand is very modest and, for several years, has been maintained at a uniform level of approximately 2 million U.S. dollars. Our most important exports are: glass, textiles, chemical products and intermediate products of copper, machine tools, mining machinery, and measuring instruments and laboratory apparatus. Opportunities exist for increasing the supply of chemicals and perhaps for introducing Wilga aircraft to the New Zealand market.

Wool and hides are the main imports from New Zealand. When purchase of the first of these products decreased, total import value decreased, and, according to data available for 1991, the balance of mutual trade closed with a definite surplus for Poland. In recent years, attempts have been made to revive direct contacts, evidence of which was the New Zealand diplomatic-economic mission led by M.K. Moore, the then minister of foreign affairs and trade, which visited Poland in 1990. A year later, Minister Krzysztof Skubiszewski visited New Zealand.

From existing relations, it seems that economic cooperation, which has been very modest thus far, can be extended to new areas. That was mentioned in discussions involving Prime Minister James Bolger, Prime Minister Hanna Suchocka, Minister of Agriculture Gabriel Janowski, and Andrzej Arendarski, minister of foreign economic relations. Much attention was given to the possibility of modernizing Polish agriculture and the dairy and meat industries by drawing on New Zealand experience. Some attempts in that direction have already

been made. However, extending the range of products depends, as James Bolger said, mainly on the activity of enterprises.

A broader problem that goes beyond bilateral relations was touched on during the meeting with President Lech Walesa. Expressing what are also the aims of other countries of Central and East Europe, he appealed to New Zealand, as one of the industrialized countries, for support of efforts to lower barriers in international trade. That would be a very real factor that would enable Central European countries to exploit the opportunities that opened up for them as a result of the change in the political and economic system.

*** Privatization of Small, Medium-Size Enterprises**

93EP0229A Warsaw TRYBUNA LUDU in Polish 3-4
Apr 93 p 15

[Interview with Jacek Bukowski, director of the Department for Privatization of Small and Medium-Size Enterprises in the Ministry of Ownership Transformations, by Pawel Pietruszkiewicz; place and date not given: "Reform Through Liquidation"]

[Text] [Pietruszkiewicz] You work on the privatization of small and medium enterprises. Are there any criteria that permit an enterprise to be put in a certain category?

[Bukowski] No, such criteria do not exist because the companies are from different industries. We must remember that a company that produces shoes and has 1,000 employees would be a very big company in that industry, while a steel mill with 1,000 workers would be a very small mill. In general, we consider small companies to be those of up to 200 employees and medium companies to be those of up to 1,000 workers. I have to add that we rarely privatize state enterprises that have more than 1,000 workers, under Article 37 of the privatization law, however it has happened.

[Pietruszkiewicz] How many enterprises are fit for such privatization?

[Bukowski] It is hard to say how many. In general, there are about 7,700 state enterprises in Poland, of which about 700 are state farms that will be taken over by the Agency for Farm Property of the State Treasury. About 1,000 enterprises are now in either a state of open liquidation or a state of bankruptcy. Another thousand companies are those that are very large and thus are not included in my division. Of the remaining 5,000, we assume that about 1,000 enterprises are now in a very difficult financial situation, and so it is unknown if they will be eligible for privatization. Of the remaining 4,000, 2,000 are in relatively good condition; these, in particular, can undergo privatization under Article 37, especially through putting them up for rent.

[Pietruszkiewicz] What advantages does Article 37 of the Privatization Law of the State Enterprises bring?

[Bukowski] This is privatization through liquidation of a state enterprise, sometimes also called direct privatization through liquidation of a state enterprise as a legal subject. Here we have three possibilities: the first is to sell the enterprise, not in the form of shares but directly; the second is to form a joint venture of the State Treasury with one or several partners; and the third is to rent out the enterprise. All three options can also be mixed.

[Pietruszkiewicz] Do you liquidate the enterprises as well?

[Bukowski] This is not my job. One cannot mix liquidation privatization with simple liquidation. The basis for this is Article 19 of the State Enterprise Law. The reason, goal, and legal basis are different in this kind of liquidation.

In the case of privatization, the reason is a willingness to be privatized and to privatize—that is, someone wants to invest money. At the same time, a privatization proposal indicates that, after privatization, the assets will be used in a better manner than they were used before the process.

In the case of enterprise liquidation, the reason for it is that the enterprise has lost its ability to produce a profit over the long term. The immediate criterion can be the fact that the enterprise pays other taxes but does not pay dividends. In general, the point is that the enterprise loses its credit abilities, and earlier loses the ability to continually make good business on the market. The goal in liquidation is to pay off all of the enterprise's creditors. Where do they get the money? Unfortunately, from selling the assets of the enterprise.

Liquidation is a substitute for bankruptcy proceedings. One can begin the liquidation process when it is estimated that the value of assets is greater than the value of obligations—not only the value on paper, but also the value of obligations sold at liquidation prices. When the value of assets is lesser, we have to start bankruptcy proceedings.

The difference between liquidation and bankruptcy is that liquidation is ordered by the founding body with the permission of the minister of finances and the minister of ownership transformations, who analyze both premises and the sense of liquidation; in the case of bankruptcy, it is the court that decides.

[Pietruszkiewicz] How effective is liquidation?

[Bukowski] Over the past three to three-and-a-half years, about 900 enterprises have been placed in liquidation. Unfortunately, the effectiveness here is not great: About 15 percent of the enterprises for which liquidation was begun have been removed from the register of state enterprises, which means that the creditors were paid off.

[Pietruszkiewicz] That means that liquidation has not been completed for 85 percent of the enterprises. What is happening with those enterprises?

[Bukowski] In a small number of cases, the liquidation resulted in the liquidator being brought in not only as the seller of assets but also as a person who can help the enterprise to overcome the crisis. The liquidators sometimes turn out to be better than directors who were there before—but one must also remember that liquidators can work freely because the workers councils, which, according to law are dissolved in an enterprise in liquidation, do not bother them.

If it happens that there is a chance to rescue the enterprise, and the liquidator is dynamic and is set on it, he will save the enterprise. If the cause of liquidation ceases, our attitude is that, with the approval of the Ministry of Finances and the Ministry of Ownership Transformations, the founding body can once again accept the enterprise as a state enterprise. But such cases are very rare.

Cases like those do occur; then the question is raised as to why liquidation was begun at all. Well, in such cases, if there is a chance to save the company, we must announce, instead of liquidation, reparation proceedings or so-called receivership. And it is up to the receiver, who also has the authority of the director and the workers council, to get the company out of trouble.

The natural order should be as follows: If there is something wrong with the company, we immediately choose receivership, and the receiver should be someone other than the current manager because everything indicates that he did not manage to do well. Next, when reparation proceedings do not bring good results, we should try to sell the enterprise under Article 37. If the enterprise does not find a buyer, we should immediately begin liquidation. The bankruptcy proceedings are the very last thing to do.

[Pietruszkiewicz] As you said, only a few enterprises are saved as a result of liquidation; moreover, in only a few cases can one satisfy creditors through the sale of assets. What happens to the rest of the enterprises? Should they all proclaim bankruptcy?

[Bukowski] Those enterprises, unfortunately, should undergo bankruptcy proceedings. Of course, only those that are bad and hopeless. The state enterprise should not be the same in a market economy as it was in the centrally planned economy. That means that it is not a place where a central planner balancing some accounts should sink some money. Such money did not come from nowhere; it came from other, better parts of the economy, from other enterprises.

State enterprises also should not be a part of the political apparatus of the country. Remember, centrally managed state enterprises were a social and political element of the distribution of goods. I am talking here about collective consumption—for example, the distribution of social funds. They were the reserve troops for the state apparatus and, to a small extent, the economic tools for the production income.

[Pietruszkiewicz] They must have produced something....

[Bukowski] Yes, they produced something, but the problem was whether production was conducted efficiently. When the enterprise does not work efficiently because of internal or external causes, it must be transformed, changed, or closed.

If the causes are internal, receivership must be established. If the causes are external or objective—for example, a lack of market demand—the alternative would be to change production or to close the company because investing money in those enterprises forever is a mistake. That would be at the cost of others and, in the final accounting, at the cost of consumers.

[Pietruszkiewicz] Thank you for the interview.

* Compensatory Duties on Agricultural Imports

93EP0228B Warsaw RYNKI ZAGRANICZNE in Polish No 39, 1 Apr 93 p 8

[Article by G.K.: "Compensatory Fees on Agricultural-Food Imports"]

[Text] *The Economic Committee of the Council of Ministers (KERM) accepted the plan, considered several times before in the committee forum, on compensatory fees on certain agricultural-food imports.*

According to the plan, compensatory fees would apply to products that are truly significant for farm income and the restructuring of the food industry, and to products imported in quantity and under conditions threatening harm to local producers of similar products or competing directly with them. A list of those items would be issued by the Council of Ministers as a decree.

The rate of compensatory payment would be the difference between the base price and the price abroad for agricultural-food imports with duty, tax, and other fees added.

The method of setting the rates of compensatory fees would be determined by the Council of Ministers, and their size by the minister of agriculture.

The rates of compensatory fees would take effect three days after publication in *DZIENNIK URZEDOWY MINISTERSTWA ROLNICTWA* for a period no shorter than seven days.

KERM also confirmed the Council of Ministers plan for the method of establishing base prices and prices abroad.

The base prices of agricultural products would be established by the Agency for Agricultural Marketing no more frequently than once per quarter, on the basis of interventionist prices of agricultural products in effect for at least a quarter (preceding the application of base prices).

The base price for agricultural products for which interventionist prices of agricultural and food products are

not set by the Agency for Agricultural Marketing would be set on the basis of Central Office of Statistics (GUS) information.

The plan anticipates the possibility of a 10-percent increase or decrease in base price by the minister of agriculture. But its increase by more than 5 percent would require preliminary notification of the Council of Ministers.

Foreign prices would be established on the basis of analysis of quotations of foreign exchanges in the countries in which most of the imports of a given product originate or on the basis of statistical analysis of invoices for imported products.

Both plans, regulations, and decrees will soon be discussed by the Council of Ministers, then passed on to the Sejm.

*** Statistics Given on Amount of Tourist Money Spent**

93EP0228C Warsaw RYNKI ZAGRANICZNE in Polish No 37, 27 March 93 p 8

[Article by (emes): "Tourism '92: More Than 49 Million Foreigners Spent Approximately \$4 Billion in Poland"]

[Text] During the past year, 49,015,100 foreigners visited Poland (36,834,500 in 1991); they spent approximately \$4 billion in our country.

The greatest number of visitors, 30,687,700, came from Germany (20,885,400 in 1991). Tourists from the former Czechoslovakia were second—8,257,700

(6,101,900). In third place were tourists from the countries of the former USSR—7,788,700 (7,545,500). Following in sequence were: Romania 208,900 (275,900); Austria 192,800 (133,200); Hungary 187,300 (179,900); France 181,400 (196,900); the Netherlands 178,900 (159,400); Sweden 158,800 (143,600); Great Britain 145,500 (84,600); and the United States 130,200 (124,000). Great Britain showed the greatest increase in number of tourists—70 percent. Germany increased by 47 percent and Austria by 45 percent.

These are not long-term visits. Most visitors from southern and western Europe "drop into" Poland for one day. The average visit in Poland, according to number of occupied rooms in the course of a year, was 2.7 nights. In the summer it was slightly longer—3.8 nights. Visitors from North America stayed longest, 12.1 nights, and those from the former Czechoslovakia the shortest—0.7 nights.

This is not strange because making purchases was the main purpose of most of the visit. This is as true of the Germans as it is of the citizens of the former USSR and Czechoslovakia. Seeing relatives and friends is another reason for visits to our country.

Most of the tourists came as individuals. As during the preceding year, approximately 15-17 percent of the tourists came on excursions organized by travel bureaus. Of the tourist travel, 38 percent was concentrated in the center of the country and 30 percent in Silesia. The seashore and the mountain regions were each visited by 13 percent of the tourists. The cities that were visited most frequently are Warsaw, Krakow, and Szczecin.

The visitors did not fare badly in Poland inasmuch as 80 percent said they would return. The guests found most fault with sanitation conditions and the standard of service in hotels and restaurants.

*** First Three Months of Independence Assessed**

93CH0532A Bratislava SLOBODNY PIATOK in Slovak
26 Mar 93 p 1

[Article by Peter Gregus: "A Quarter Year of Independence"]

[Text] The problems we felt as early as a few days after New Year's Eve quickly led us to forget that our parliament had conducted sharp debates on whether one word in our national anthem ought to be spelled with an "i" or a "y." And also that it had not yet actually settled on our national holiday, and that we are left with only the one from the former common state. And, when 14 March 1939 was brought up, one unpleasant parallel was somehow forgotten: Tiso was not overly eager to proclaim independence; Hitler gave him an ultimatum—either it will be *blitzschnell* [with lightning speed] or... This time Slovak politicians got a "velvet" ultimatum: either independence by the end of the year or...

Only now we see how much has remained unresolved. Yet we have really no place to go with complaints, only on the international level. But the international ballpark has strict rules. The weak are not treated in accordance with declared rules. If the weak lack powerful friends, they become soft touch even for those who are even just a trifle stronger....

What the present Czech team was after can now be seen by everyone: membership in the European "gentlemen's club." But how do we think western Europe views zealous efforts to prove that it is precisely they among the nations of east-central Europe who are better or "finer"? And it is exactly in this context that we see efforts to prove that I am better than the brother with whom I have just ended sharing a life in common. And, among us Slovaks, are we conducting ourselves properly in the situation? How might the just-culminating dispute in the government have served Slovakia's image?

It is said that something of this sort may happen in the best of families. For instance, not so long ago, in a certain very important European country, a similar conflict broke out. But it was resolved elegantly, and just what happened between the chancellor and the foreign minister was left only to unfounded speculation. That is because the art of politics also includes masterful hushing up of political scandals....

There is no doubt that part of the Czech press as well as the Hungarian one is spreading stories about Slovakia that place it in less than flattering contexts. But have we learned how to respond to such campaigns? Our responses too closely resemble the way the former regime reacted to unflattering news. Here, too, we ought to learn how others do it. Big as well as small countries know how to take care of their "true picture." But they do so (as much as possible) discreetly.

The economic difficulties now being experienced have several causes. One lies in the place the Slovak economy

occupied in the division of labor with the Czech economy. Here, too, the law of the stronger prevailed. Yet, in addition, the Czech side has a substantial advantage: Czech industry has grown in the context of a natural process of capitalist industrialization, which reached its apex in the 1880's. The bulk of Slovak industry has grown on the basis of a "socialist" industrialization, the construction of mammoth, more vulnerable enterprises. A state border does not change the essence of this problem; the ratio of economic strengths remains. To rely today on repeating history and assume that Slovakia will be equally successful economically as at the time when it was a *Musterstaat* [model state] with Germany's support would be naive. What if today it would rather be the Czech state that becomes a *Musterstaat*?

Our economy must reckon with multiple burdens. For one thing, state attributes such as representation abroad or armed forces are not exactly inexpensive, and the state cannot exist without them. Nor can economic reform be carried out without cost. There does not exist any way other than one that will have a drastic impact on our standard of living. And all of this has to be done in a changing and hardly predictable situation.

One must also add that our further development will be influenced by the course of the world economy. If the recession deepens further, the impact on our economy will be even more severe. Also, we must recognize the important fact that Western governments can influence economic development only by indirect tools and not by how we had been accustomed in a command economy.

Independent Slovakia has already found its place on the map of Europe. It was recognized by a substantial majority of the world's countries. It is being counted as a small but not negligible actor on the scene. Nevertheless, we are still a quantity that is not too well known. This is, of course, used to advantage by its neighbors. The Czech state and Hungary, in particular, seem more "intelligible" in their development than our Slovakia. In certain important matters, we ourselves do not know precisely how to estimate what will become of us. Can we wonder why others have concluded accordingly?

In our political development, a particularly disturbing aspect is the "leftward" tendency on the part of some of the governing team. It is that Slovakia and the Czech state share in common the absence of a liberal center that would "educate" both the left and the right toward a higher political culture. While in the Czech state the political opposite poles are evident, Slovakia may still be awaiting some sort of political earthquake or flood tide. Because, to speak frankly, today there are still many who do not know where they actually stand. That will emerge when it becomes clear to where they have been thrown by these tremors. Only then will the political scene fall in order. Then, where will be the left, the right, the center? But, if it threw the present prime minister too far to the "left," it would complicate Slovakia's situation. Politically, we will not be in the Europe in which we would like

to be. Yet, political and geographical terms need not be identical. Greece is not on the Atlantic shore yet is a member of NATO....

The first quarter-year of our independence leads us to conclude that the fewer the answers the more questions we have. Who will answer them? At present, the most discredited profession is forecasting. The forecasters have now switched over to politics. Instead of forecasting the future, they prefer to create it.

*** Voter Psychology Explored From Postelection Angle**

93CH0531A Bratislava KULTURNY ZIVOT in Slovak
31 Mar 93 p 7

[Article by Viera Langerova: "Fearing Us"]

[Text] "If you think our people are stupid because they voted for Meciar, there is no place for you here!" I heard this from a former friend right after the elections. At that time, I expressed my consternation in a somewhat dramatic way. I told my acquaintances this little story as an example of how a man who, on the whole, is a nice person and of whom I would never have suspected any such thing can suddenly lose his mind.... That was because I had erroneously interpreted this kind of expression as something exceptional, delusory, and unreal. The outline of a new reality emerging from the anonymity of the foggy preelection vision soon began to take shape in its tricolor form, and I realized once and for all that a considerable number of my fellow citizens had the same fateful pronouncement on the tips of their tongues. They are willing to say it whenever they feel sufficiently protected by the masses and when they feel a bit more frustrated than usual.

One of the most difficult postelection conditions of awakening was the disdain felt against any mob. At the station, in the bus, in the store, in the post office, in front of the bank, every wrong step made by the government (which made more wrong steps than right ones) prompted the urgent question: Well, is this it? Is this what you wanted and how you wanted it? So, does it make you happy? Why the devil should these people who cannot see through the false demagogic visions of power make decisions about my life?! When the SME daily recently published a suggestion about making badges, "I did not vote for them." I was able to identify with that idea.

Nevertheless, fear soon began to replace the disdain. It was no longer due to the demagogic speeches of the leaders of the government but precisely because of the little men capable of escalating their aggressiveness in direct proportion to the moods of the politicians.

On New Year's Eve, I helped a U.S. female journalist interview participants in the celebrations at Slovak National Uprising Square. We approached an elderly lady who stood in a circle of her friends. She talked about Slovakia's independence, about the good life we will

have without the Czechs when finally nothing and no one oppresses us anymore, and we alone will build our state because we alone will make our decisions. Everything proceeded smoothly until we asked her her name. She indicated her refusal by shaking her head. When we asked her why she was afraid when, at long last, we have our own state, she dismissed the question with a wave of her hand. I exchanged a few words with the journalist, who evidently made a face the little crowd considered not to be very friendly. I really do not know. "And you, what is your name?" asked an elderly man, although I had introduced her right at the beginning of our interview. She refused to answer him and disgustedly pulled me away. At that moment, the little crowd got angry. They began screaming: "These two are Czech collaborators!" They kept following us around the square, and every time we tried to approach someone, they discouraged people from talking with us, voicing their above-mentioned "well-founded" suspicions. As we were trying to escape the mob, whose members, with radiant faces, were hot in pursuit of the enemy, I was surprised by my joy and relief. They accused us with a tone of anxiety in their voices, by which they expressed their "interest in public affairs," because they could justify their cowardice and lack of dignity (after all, they, too, were promoting or could be promoting "the good name of Slovakia") by attacking people who had provoked such a reaction. They were relieved of their anxiety because they felt they had found the guilty parties, to whom they attributed plausible transgressions.

I caught myself with my head held down between my shoulders, instinctively waiting to be hit. I think that if, at that moment, one had told those paranoid people what one really thought of them, the consequences would have been far worse. Then and there I realized and feared that those people are capable of anything. I can still see those enraged aunties and uncles, with their raised fists, whenever I think there can hardly be a nation more peaceful than ours, with its citizens waddling in the street with their shopping bags.

Most of all, I was fascinated by the shouts of our persecutors. Like a comical fast-forward, I heard the clips from the preelection and the postelection speeches by politicians who effectively massaged the egos of their ideological foot soldiers. Social psychology uses the term 'imitation.' It begins with identification of the imitators with the imitated, spurred by the subconscious notion that that is the way to reward the imitated. That effect is preceded by suggestions and psychological contamination. I think that analyses of those phenomena also help give a name to processes leading to social condition very appropriately illustrated by the absurd theorem: A citizen is not responsible for what he has done as a voter.

A German film, "The Stool Pigeon," by director Thomas Mitscherlich, which was entered recently in the competition at the Berlin Film Festival, motivated an interesting discussion at a press conference. (The film tells the actual story of one Helene Schwaerzel, who, in the

summer of 1944, denounced Carl Geoderler, who initiated the assassination attempt on Hitler's life. Naturally, after the war she was tried for her deed.) The participants were all ready to accept that this mousy postal clerk, who had done what she had done, was a poor victim of Nazi brainwashing.

I suddenly realized that such an absolution of the sins committed by the little people, whether in Germany or in our country, is a magnanimous gesture with deceitful results. Whose ethics, if not the ethics of an individual, should serve as the basis for the ethics of the whole society? How can ethics be divided according to social position or level of education? No totalitarian system can survive without the support (passive or active) of that tiny majority of society. The fact that people today nostalgically recall that "it was better when the communists were in power" offers another reason the totalitarian communist system can operate and exist on the basis of the worst human characteristics—indolence, lack of independence, stupidity, and servility. In accordance with the principle of democracy, the will of the majority is and must be respected. For the same reason, its will legitimizes all decisions made by the government. Let us try to turn from the circles of power and their critics to the voters who elected the government and with whose support its policies are taking further and further steps. An enlightened axiom says there would be no dictators without slaves. Therefore, I think incompetent ministers will not bear sole responsibility for economic bankruptcy. Just as responsible for it will be that hefty lady with a fur hat, who so splendidly imitated those who could express what was in her heart.

Only one thing can offer some consolation: Paradoxically, in accordance with slogans about Slovakia's independence, such sentiments of independence can also teach people who have not been among its fans. They provide a lesson in objective independence from the structures that impel people now, as they did in the days of communism, to herd together in the street and stand in line in front of the banks and stores. Certain facts about the psychological effect of such "assemblies" are well known. Among other things, they teach obedience and humility, which many people still need in their lives so that they can feel that someone is taking care of them and their welfare. Gratitude may also come in this form.

Even after its apparent (velvety) removal, the unified, centrally organized Absurdistan, which once used to loom above our heads as well as within us, has retained its one rare quality: If divided, it multiplies and loses none of its strength.

*** Knazko Hints at Influence of Meciar's Secretary**
93CH0530B Prague ZEMEDEL'SKE NOVINY in
Czech 30 Mar 93 pp 1, 15

[Commentary by Ivan Rajecky: "Hard Elbows of 'Iron Anna'"]

[Text] Milan Knazko was not the first to "open" the problem of Anna Nagyova, chief of the secretariat of Slovak Prime Minister Meciar, and her unusual powers and privileges. This was also noted by journalists, who repeatedly criticized Nagyova as well as Meciar for this situation.

Knazko, former SR deputy prime minister and former foreign minister, said the following on Sunday at the HZDS [Movement for a Democratic Slovakia] republican congress in Trnava in reference to Mrs. Nagyova's activities: "As recently as December 1992, Deputy Prime Ministers Kovac, Filkus, Huska, and I, independently of each other, brought to the prime minister's attention the fact that Mrs. Nagyova and the chief of the Government Office, Ivan Lexa, distort contacts between the prime minister and his deputies. Intrigues, errors in work, and a generally low level of performance were the main reasons we requested their recall."

It did not happen. Ivan Lexa is slated to become director of the Slovak Information Service, and Anna Nagyova continues to rule without any restrictions. Her arrogance has already caused a great deal of unpleasantness, most recently during the official visit of French Foreign Minister Roland Dumas to Bratislava, when she unceremoniously threw part of his entourage out of the room. There is general indignation—now also among citizens—over Vladimir Meciar's visible favoring of his office director, even at the expense of government ministers. This could be observed clearly during the most recent Bratislava visit of Czech Prime Minister Klaus and the Slovak prime minister's trips to Germany, Britain, and Russia. Even though one might understand that the prime minister wants to have his "right hand" always at his side, "Iron Anna," as Nagyova has been nicknamed, displays an insolent attitude and is virtually untouchable.

Following the sharp criticism from the deputy prime ministers, the prime minister promised to reassign Nagyova to another position. But he has failed to honor his oft-repeated promise—as, incidentally, he did many times before. Therefore, on Sunday, at the Trnava congress of the HZDS, Milan Knazko asked openly which democratically elected HZDS body decided that Nagyova may have available such information that could "sweep away" the entire leadership of the HZDS and its chairman. Alas, he did not receive an answer and evidently never will.

*** Moravian Nationalist Claims Discrimination**
93CH0538A Bratislava SLOVENSKY NAROD in
Slovak 16 Mar 93 p 4

[Interview with Alena Obcacikova, a member of the Moravian National Party, by Monika Volekova: "Moravian Disquiet, Discontent"]

[Text] Although Mrs. A. Obcacikova is a member of the Moravian National party, at present she differs from it in some of her opinions. She is known for having won the

fight for Moravian nationality in the Federal Assembly. Her responses in the interview reflect her private opinions.

[Volekova] The problem of Moravia already belongs abroad. In CESKY DENIK of 12 March 1993, Karel Skrabal, in an article on "Moravian Political Folklore," had rather unflattering things to say about the Moravian-Silesian Assembly. Could you explain what the issue is?

[Obcacikova] The Moravian-Silesian Assembly was set up by parliamentary parties. It traces its roots to the Moravian Margraviate as a statehood unit, which was not always part of the Bohemian Crown. This was essentially the way Moravia functioned until 1918, when the Moravian Margraviate was abolished. On 1 January 1949, Land Moravia was abolished. Now we are following up on this tradition. The former Federal Assembly adopted a law on 9 May 1990 in which it stated that, in the communist regime, Moravia suffered harm and that it was to be given back its historic rights. Unfortunately, the present governing team is chauvinistic and does not respect the Charter of Fundamental Human Rights and Liberties.

[Volekova] Those are strong words. Be specific, please.

[Obcacikova] Yes, of course. Take just the name of the state—Czech Republic [CR]. And this although the state consists of three statehood formations: Bohemia, Moravia, and Silesia. In a census two years ago, 1,400,000 people professed Moravian nationality, but, in recently published statistics, 1,400,000 Moravians were passed over in silence. The budget is outrageous, if only because it is composed separately for Bohemia and Moravia. Moravia is being beggared. One learns nothing about it from the mass media except for ridicule that a civilized nation, which the Czechs regard themselves as having, should not stoop to.

[Volekova] Is the Czech Government willing to be sensitive to the views of Moravian movements demanding land autonomy?

[Obcacikova] I think this government is incapable of it. It is unable to imagine anything other than a strict unitary state, with its center in Prague. That was ultimately the reason that Slovakia broke away. If Moravia breaks away, it will not be its fault but the fault of Czech chauvinists.

[Volekova] The Czech state [Cesko], as you pointed out before, it composed of three statehood formations: Bohemia, Moravia, and Silesia. Are you not afraid that Silesia might become a Trojan horse in this game?

[Obcacikova] First of all, I beg you, do not use the name "Cesko." That means nothing from the point of view of language, history, or state formation. "Moravia and Silesia are no Cesko!" is what we chanted at demonstrations. In a recent opinion poll, 60 percent of Silesian respondents expressed the wish for Silesia to remain united with Moravia in a Moravian-Silesian Land. The so-called Silesian problem is being deliberately exported

from Prague. In Prague, they are interested in seeing animosity arise between Moravia and Silesia, as it did some time ago between Slovakia and Moravia. I do not believe Silesia could be a Trojan horse.

[Volekova] The CR and the Slovak Republic are connected by a common border. Despite proclamations about permeable borders, we have already noted the first problems.

[Obcacikova] Those problems were bound to arise because the division of the CSFR was most painful precisely on the Moravian-Slovak border. At one time, Moravians and Slovaks were a single nation, a single state in the period of the Great Moravian Empire and even now are close to each other. We Moravians were not in favor of Slovakia breaking away—certainly not all of us. Why did the Czechs not break away by themselves and leave us together with Slovakia? Whether that line of thought remains in the minority or turns into a majority will depend on what steps are taken by the Czech Government.

Many ordinary Czechs totally lack understanding of the Moravian phenomenon. They have gaps in their knowledge of history and do not understand that Moravia was another nation, another state.

[Volekova] For more than a month, the CR has had a new president—Vaclav Havel. Do you place any hope in him as a president above the parties, who binds together and understands the entire CR?

[Obcacikova] In no event. When I was a deputy of the Federal Assembly, I would not have voted for Mr. Havel for president even if the vote were by acclamation. He is not the president to me because he said that he is president of the Czechs, and I am of Moravian nationality.

* Highlights of HZDS Congress Reviewed

93CH0530A Prague LIDOVE NOVINY in Slovak 30
Mar 93 p 16

[Commentary by Stefan Hrib: "Nice Congress"]

[Text] The principal result of the HZDS [Movement for a Democratic Slovakia] congress is: Milan Knazko definitely left Meciar's party. Reason: after two years of working with Meciar, the HZDS deputy chairman became convinced that he is a notorious dissembler, who, moreover, is capable of systematically acquiring only two things—enemies and power. According to information heard in the corridors, Knazko intends to found his parliamentary club on a liberal orientation. The 41 hands raised among the HZDS ranks when Knazko was a candidate for the movement's chairmanship, together with a preliminary estimate of 15 HZDS deputies from the SR [Slovak Republic] National Council, constitute a capital that makes Knazko a man who is stronger day by day, strong than he had been at any time before.

Paradoxically, it was not Knazko's statement that the first man of Slovak politics is a power-hungry dissembler who dominated the congress. The greatest stir was caused by Knazko quoting Meciar about the chief of his secretariat, Anna Nagyova: "She knows so much about me that she could destroy me in 24 hours." That sentence moves to a new level discussion about the well-known envelopes in Meciar's desk. The possibility that it was precisely Anna Nagyova deciding who is the government's worst minister and thus sealing Knazko's fate offers a genuine contribution to analysts of the political scene. That is because it casts the Meciar-Knazko dispute as well as actions of the SR National Council and the president in this matter into a comic light.

Among the congress results, one can also count the placing of Michal Kovac behind the HZDS chairman's table. Compounding the concept of a "president above parties" with a man who proposes the introduction of an official state medal for Meciar and Co. for breaking up the state and who, moreover, publicly offers advice on how to keep the movement united is a historically novel combination. It suggests the possibility of introducing a new term for the HZDS: "a party above parties."

Because the congress did not tackle the real problems of Slovakia, because its participants included virtually all "first men of the state," and because it again successfully managed to find an enemy who had to leave, we may conclude that it was a nice congress.

* Impact of Knazko's Leaving HZDS Gauged

93CH0538B Prague TELEGRAF in Czech 2 Apr 93 p 9

[Commentary by Peter Schultz: "The Prime Minister's Solid Position; No Way To Govern Slovakia Without Meciar"]

[Text] Knazko's accusations of Meciar will most likely end in the dust of oblivion, just like the "affaire Doktor," the case of Tiso's villa, the misuse of agent records of the StB [State Security], and a number of others. The more so because Meciar does not intend to sue Knazko, which is quite understandable. But the public and the media ought to insist that prominent witnesses, including President Kovac, whom the former foreign minister cited in the matter of Meciar's statement in regard to his extortion by Mrs. Nagyova, either support Knazko by their testimony or deny his allegations. But, given the current state of political-social awareness in Slovakia, that is unfortunately something of an illusion.

Of greater importance for Slovak politics than his statement will be Knazko's departure from the HZDS [Movement for a Democratic Slovakia]. The support of one-sixth or even one-third of the delegates expressed in the results of two secret ballots must not be overestimated. It is one thing to sympathize with Knazko secretly and quite a different matter to follow him into opposition. Therefore, in comparing the first reactions of the two protagonists, Meciar's self-confident statements seem somewhat closer to reality than Knazko's visions.

Meciar regards the Trnava assembly as a stabilization factor, and Knazko, on the contrary, dramatizes his departure. Here Meciar has greater claim to the truth because the state of affairs established in Trnava is simply given for a certain period of time and can be unfrozen only by some sort of extraordinary convocation, the prospects of which are, of course, minimal. Ultimately, Knazko's proposal for holding it did not pass. Moreover, Meciar is systematically strengthening his position by adroitly maneuvering into HZDS functions people devoted and loyal to him. Any differentiation on the basis of political platforms continues to be unthinkable within the HZDS. And not on the basis of personalities, either, especially when, since Knazko's departure, only one remains in the HZDS.

For now, it is not clear what the aftereffects of Trnava are in the parliament. The basic question is: Will the existing status quo be breached, and will any new configuration of forces arise? That will emerge only if Knazko succeeds in founding in the SR National Council a new club of deputies. Its founding presupposes a minimum of five persons, and its core must consist of current HZDS deputies. Not of other parties because, otherwise, it would be a mere shift within the confines of the opposition, which, from the perspective of a distribution of forces, would be without significance. But, if Knazko really succeeds in pulling at least four persons out of the HZDS deputies club, Slovakia might face a potential government crisis.

Understandably, not even that means that the position of Meciar himself would be faced with any major threat. In any event, he will continue having the support of the far largest club of deputies.

However, sooner or later he would be compelled to look for a coalition partner. But, of course, a weaker coalition partner must naturally accept the stronger partner's rules of the game and priorities, in exchange for its share of power.

The puzzle of whether Slovakia will be governed by a distinctly minority government is thus in its way a pseudoproblem. It is something else that is of the essence. Whatever movement Trnava may cause in the HZDS club of deputies, V. Meciar will remain the unchallenged, most powerful man in the state, without whom or against whom it is impossible to govern. The thought that a government could be set up by the opposition is downright absurd. Such a "super-wide-spectrum" government would fall even before the president had time to nominate it. The alternative of a premature election today looks even more absurd. That is because it fails to take into account the self-preservation instincts of 150 deputies, the majority of whom, after returning to "civilian" jobs, would not come close to their present circumstances in terms of income or social standing.

Slovakia's tragedy today does not lie in the person of the prime minister, defying all usual standards, but, rather,

in those occupying the 150 chairs in the parliament. Whether with Meciar or without him, that parliament simply cannot produce a government that would not be a disaster for Slovakia. Viewed from that perspective, the results and immediate effects of the HZDS convention in Trnava are totally uninteresting.

*** Comment on Influence of Nationalist Media**

93CH0532B Bratislava SLOBODNY PIATOK in Slovak
26 Mar 93 p 2

[Commentary by Peter Brhlovic: "Noted in Passing"]

[Text] A few days ago, I got hold of a paper by Ondrej Dostal, Zuzana Fialova, and Michal Vasecka on "Nationalism and Selected Slovak Media," still published in December 1992 by the Civic Institute in Bratislava. The authors attempted especially to classify the daily and weekly press being published during the period of their research into six categories, according to position on nationalism. On a scale listing categories of extreme nationalism, radical nationalism, moderate nationalism, nationally oriented, nonnationalist, and antinationalist, SLOBODNY PIATOK placed in the fourth category—that is, among the nationally oriented media. (For the reader's information, it placed together with PRACA, PRAVDA, CAS, NOVY CAS, and LITERARNY TYZDENNIK). In another section, the paper argues that it is precisely "our" category that includes periodicals with the largest circulation and therefore is the most influential. And, as we read in the concluding passage of the research paper, "Because these periodicals with the largest circulation have not resolutely countered nationalism and failed to condemn nationalist excesses, because they leniently offered space also to extreme views, which needed unequivocal challenge, they indirectly participated in significant shifts in public opinion. Their endeavor to offer space to all made possible a gradual dominance of the most aggressive, least constructive, and intolerant opinion, so that, in consequence, they pushed one side of the dialogue into the background." Further, "The antinationalist press (ECHO, VEREJNOST) perished precisely because the dominant Slovak press failed to react to the outburst of nationalism, thereby relegating the antinationalist position to the role of marginal intellectual extremism."

What can one add to it? Perhaps only that, if we had taken positions like those of ECHO and VEREJNOST, we, too, would no longer be here.

*** CR-SR Border Controls Considered Restrictive**

93CH0505A Bratislava KULTURNT ZIVOT in Slovak
24 Mar 93 p 4

[Commentary by Jan Rychlik: "The Border Is Not a Promenade"]

[Text] It was 1968, and the newly minted CPCZ [Communist Party of Czechoslovakia] secretary general, Gustav Husak, delivered himself of the opinion that

people should not just stroll back and forth across the border because "the border is not, after all, a promenade." He expressed the wish that regulations for allowing travel abroad and for crossing the border be tightened because the much too liberal regulations in this area were a remnant of the opportunistic rightist elements and were rendered obsolete by developments. For the appropriate functionaries, the wish of the secretary general was, naturally, a command. And so, as early as 8 October 1969, the government issued order No. 114/1969, on the basis of which an Iron Curtain descended again along the Western border for another 20 years.

Today we live in different, democratic times. No one here any longer has interest in preventing the movement of people and goods, especially between the Czech Republic [CR] and the Slovak Republic [SR]. For that reason, on 30 November 1992, both sides signed an agreement to dispense with visas, which makes it possible to cross the border at any point using only an identity card. We who live in the vicinity of the newly created border welcomed that agreement. It is, in fact, not very pleasant if, for example, citizens of the village of Vrbovce must cross the state border at least twice on their way to work in Myjava, when the residents of the community U Sabotu cannot visit their departed in the cemetery (which is now in a foreign country) without the permission of the customs authorities, or if people have nowhere to shop because the market is now abroad, where a different currency is used. The agreement on the free movement of people was not, after all, anything world-shaking because, until the year 1914, it was also possible to cross any state border of Austria-Hungary without a passport, and, besides that, on 1 January 1993, the free movement of people began among the EC countries. But now, first Minister Ruml and, after him, Prime Minister Klaus have led us out of the dark shadow of our idealism: The agreement of 30 November 1992 has been made obsolete by developments and was, in fact, a mistake. People must get used to the fact that there is a real border (although I do not know precisely why we who did not want the division of Czecho-Slovakia must get used to it) and that that border cannot remain unguarded because it would become nothing but a promenade. Therefore, the normal regulations, such as exist on the borders with Austria and Poland, will prevail. And that is that! It is difficult, of course, in this situation not to remember Husak's pronouncement.

At the same time, this whole action is being demagogically justified by the danger of illegal immigration from the former USSR and the Balkans, although it is clear that, if Czecho-Slovakia had been preserved, the border between the CR and the SR would not have been controlled, either, and immigration would not have been any greater or lesser. (During the past year, according to the report by the SR Minister of Interior J. Tuchyňa, only 678 persons crossed the Hungarian-Slovak border illegally.)

But the problem is that it is difficult to call our regime of controls on the borders with Poland and Austria

"normal" or, as the prime minister says, "standard." It is no secret that our border with Poland today is substantially less permeable as far as the number of crossings is concerned than it was in the period between World War I and World War II, and that repeated demands by the public to make crossing the border easier and to broaden borderland contacts are being ignored by the government. Just to compare: Beginning in 1926, it was possible, for example, to cross the Czechoslovak-Polish border at any point by merely using a certified tourist pass. And it must be kept in mind that, during that entire period, our relations with Poland were quite strained. Neither can we talk today about "standard" controls as far as the border with Austria is concerned because, in comparison with the prewar situation or conditions along the borders between EC countries, the regulations are very restrictive. Those who are aware of the conditions along the Moravia-Slovakia border know that such "standard" controls would mean the collapse of the entire region. True, Mr. Klaus is promising us some modest borderland contacts—that is, something similar to what existed here on the basis of an agreement between the German and Slovak Governments from 1939 to 1945. However, the experience at that time showed precisely that problems can be alleviated by this method, but not solved. And, finally, it is not certain that there will be an agreement on borderland contacts at all, or, if there is, how long it will last. The fate of individual agreements between the CR and the SR clearly shows, after all, that their primary function is to make the breakup of the state more palatable to the citizens, but that they are not expected to last very long. Since they were signed, those agreements have been subjected to salami tactics, and the time when nothing is left of them is not too far off.

* Perspectives of Slovak Economy Sketched

93CH0529A Bratislava PRAVDA in Slovak 19 Mar 93
p 5

[Interview with Andrej Barcak, regional director of General Motors for East Europe, by Stefan Mesaros, on 17 March at the grand opening of the automobile showroom of the Barmack Company: "Can Slovakia Be a Trade Bridge?"]

[Text] Andrej Barcak is a born businessman. He not only inherited his talent from his father, but he also showed that he could develop it further through his toughness. That carried him to the post of CSFR foreign trade minister after the November revolution and later to the job of regional director for East Europe for the General Motors Corporation. He has stayed in that position to date. Perhaps it is also because he does not let any opportunity go by for the expansion of the GM trade network. We asked him for an interview at Wednesday's grand opening of his next item, the automobile showroom of the Barmack Company.

[Mesaros] You live in Prague and almost constantly travel around Europe and the world. Do you still feel yourself to be a Slovak?

[Barcak] Yes, of course. I am of Slovak nationality and I always will be. For now, I have federal state citizenship, and we will see what happens further.

[Mesaros] You have proved your abilities as an individual. Do you feel that Slovakia can also succeed as a whole?

[Barcak] Yes, under certain conditions.

[Mesaros] What are the prerequisites?

[Barcak] In the economic sphere, we must first of all take those steps that they expect of us in the countries with advanced market economies. That means that we must prepare all of the conditions for the smooth functioning of a market economy; even if it hurts, and it certainly will hurt, we must do everything for it.

[Mesaros] Do you have an idea of the way that should go?

[Barcak] I participated intensively in it after November 1989. It is now continuing in the Czech lands, and I feel that any deviation from it is doomed to extinction.

[Mesaros] Officially, however, no one is deviating from it, or do you think they are?

[Barcak] For now, they officially are not, but unofficially, yes. For example, I am very displeased with the discussions about whether to devalue the currency, that it would raise the prices, and I do not know what else.... The Slovak currency has de facto been devaluated. After 1 January, the cancellation of the import surcharge caused a revaluation of 10 percent. The revaluation can, however, be done only if exports are significantly higher than imports. In the case of Slovakia, and even in the case of the Czech lands, they are not. So, I think that devaluation, even though it is painful and will have certain effects, is the solution. The alternative to devaluation is using administrative tools to control the inputs and outputs of the economy. We put that method of management behind us three years ago, however, and we had very, very good reasons to do so. It is hard to see how Slovakia would be an exception to administrative management and that we would find a group of such geniuses that they would be capable of using administrative tools to control the economy better than they did or than is done in some advanced states.

[Mesaros] Some politicians have said that Slovakia, thanks to its good location, should become some kind of trade bridge between the East and the West. Is there a realistic chance of its becoming one?

[Barcak] I think not! The Poles have already tried to become such a bridge, and now the Hungarians are trying it.... The only way in which it can function is in the throughput of materials from one side to the other. I do

not expect that companies that can work cooperatively directly would insert some kind of middleman between themselves. Possibly some individual can operate like that because of his contacts, but I think that for companies to be created in Slovakia to handle such trade is a utopian idea.

[Mesaros] There was a lot of talk after November about how this advanced world would be helping us. All we had to do was to open ourselves up to them. That has happened and foreign capital has come into many of our enterprises. However, not all of the promised projects have been transformed into reality. An example of that is VW in Bratislava, with its activities that were given priority for getting into the BAZ [Bratislava Auto Plants] over GM itself. Is the current line of development in Bratislava satisfactory for you?

[Barcak] I feel rather that it is a great pity. GM could have been a truly important partner for Slovakia. The project that was prepared for implementation at BAZ is in fact in full swing in Austria and Hungary. The fact that VW did not invest as much in Bratislava as was expected is a consequence of the overall economic situation in the world and also of the fact that, in contrast to our project that was already prepared, so to speak, "in concrete," VW was submitting one for consideration. It contained conditions for certain cases.... And so it did not happen. I think, however, that VW is a very decent and solid company, which will keep the majority of its promises—of course, as far as economic conditions allow it to do so.

[Mesaros] You said that GM could have been a partner for Slovakia. Does that mean you no longer have an interest in it?

[Barcak] For now, no. An expansion of production capacity at this time appears to be a very risky affair in regard to the expected developments in the sale of automobiles and in the overall economic situation.

[Mesaros] The optimists count on the world recovering from the current economic recession in two years, and then it should be better. When should we have it better?

[Barcak] That will depend on how we proceed. If we continue in an unnecessary waste of time and money as we have done in the past year—that is, in dividing up the state, the property, and the Army—we will have troubles longer. If we devote ourselves to something constructive, in seven to 10 years we could already be part of an advanced Europe. Well, one must say from that standpoint that the breakup of the state was too much of a luxury, just so that in 10 years we can again live together in one state, with one currency and one functioning system.

*** 'Shock Treatment' for Slovak Economy Rejected**
93CH0537A Bratislava SLOVENSKY NAROD in
Slovak 16 Mar 93 p 5

[Article by Dr. Ladislav Andrej: "Shock Therapy—Slovakia's Legal Case"]

[Text] *There started to be talk about shock therapy here after the approval of the so-called scenario for economic reform after the June 1990 elections. The implementation of this scenario began under the leadership of V. Klaus, who was the finance minister at that time, with the full support of the postcommunist and procommunist government at that time, headed up by Calf. At the time, the Slovak Government also fully supported the program.*

Even though V. Klaus is considered here to be the originator of the shock therapy because of the centrally controlled and directed mass media's false and demagogic reporting, the facts are otherwise. Shock therapy was implemented in Poland starting on 1 January 1990 under the leadership of the former finance minister, Balcerowicz, and in Russia on 1 January 1992 under the leadership of Gaidar. Shock therapy was tested out more than 10 years ago in a number of Third World countries. For example, in Latin America there were Mexico, Argentina, Brazil, Peru, and Bolivia; in Asia, it was tried in Malaysia; and in Africa there was Nigeria. And the results? The economic arteries in those countries were devastated. In the period 1980 to 1990, Latin America had results that were truly shocking. The overall debt, which in 1980 amounted to approximately \$242.4 billion, grew to \$429 billion in 1990. During that period, those states paid \$321 billion just in the interest on the loans.... More than half the original debt. In THE NEW FEDERALIST of 4 November 1991, D. Small makes the following comment, "The arithmetic of shock therapy is actually the arithmetic of the banks, according to which it should be true that $242.5 - 321 = \$429$." There are lots of examples like that. In Nigeria, the debt in 1980 was \$8 billion, but in 1990 it was already \$33 billion, and Nigeria had paid \$12 billion in interest during that period. V. Klaus in the general confusion gave this a name that is right on the mark, that it is "constructive destruction." The expression is similar to statements of the type "nonpolitical politicians" and similar nonsense to confuse the public opinion.

Today we can fully reveal the swindle of the so-called shock therapy and its perverse nature. This is confirmed by the fact that the Third World countries have given up on it. After not quite a year, in Poland, Balcerowicz was removed from his ministerial position. He is supposed to answer before the courts for his financial machinations in writing off the Polish debt. Recently, it worked out in a similar way for Gaidar in Russia. Only Klaus's political fate is for now an open question....

Some information needs to be provided on the originator of shock therapy. Yes, the F.E. Seidman award for political economics for 1991 was presented in Memphis, Tennessee, to the young economics professor from Harvard University in the United States, Jeffrey Sachs. This was for "reducing inflation in the Latin American countries (particularly in Bolivia), for assisting in the transformation of the Polish economy (actually Sachs was literally run out of Poland and the shock therapy halted less than a year after it was implemented), and for the

invaluable advice to the political leaders of many countries such as Yugoslavia (we can see the results today), Slovenia, Mongolia, and, not least of all, Yeltsin in Russia (probably the greatest ruination of Russia in decades?!)."

It is hard to believe that the ruining of the economies in a number of states is considered in some circles as so-called invaluable assistance. Whom does it help? By the way, the prize is not for economics but for political economics. For his shock therapy, which was worked up on contract for the International Monetary Fund and the World Bank, Sachs became a professor of economics at age 29.

Sachs calls his shock therapy "big bang economics." The name is borrowed from the physics theory on the possible origin of the universe through a great explosion. The very distorted analogy consists of the fact that "after the shock destruction, or big bang economics, an entirely new economic system can arise." The crater left after the big bang is called the "economic bottom." Sachs does not give any further specifics about the new system that arises, perhaps so as not to reveal the overall fraud of shock therapy. Prof. M. Zeleny of Fordham University in New York emphasizes, "There is not a single country in the world in existence that would prosper after the application of shock therapy or the so-called assistance of the IMF and the World Bank!"

According to Sachs, shock therapy consists of three basic pillars. These became the conditionalities of the IMF and the World Bank in providing their loans—for example, for the so-called maintenance of the exchange rates of local currency in relation to selected global currencies and such. These "conditionalities" can just as well be called the dictates of the IMF or the World Bank, not for development but, rather, for the collapse and ruin of the economy of the state or region everywhere these enforced conditions are supposed to be implemented.

1. The Sharp Devaluation of the Local Currency by Several Times Over (Cascading)

The goal is to put the official exchange rate of the local currency at the level of the exchange rate on the black market. The koruna [Kcs] was devaluated here in 1991 threefold (67 percent), to the current 30 korunas to the dollar. Let us note here that the analysis of the Japanese private company Namura Research Institute in 1990 (on government contract) proposed as optimum Kcs20 to the dollar! Klaus did not honor this analysis and subjected himself to the dictates of the IMF. Under the conditions of our backward economy, this proclaimed proexport decision was nonsense and deceptive. The reduction in the value of the national property by several hundreds of billion of korunas annually was the result! On the contrary, after November 1989, there were favorable conditions here for the purchase and import of modern technology, which just this optimum Japanese

proposal made possible! Mr. Klaus at that time held the position of governor of the World Bank and was a so-called IMF expert.

The IMF's dictatorial pronouncement was even crueler in Poland—a devaluation of 400 percent—and in Russia it has already reached 1,000 percent. This step drove the domestic economy to its knees at the beginning of its possible development. It also led to an increase in the speculative export of raw materials and energy as the sole export item for the importation of finished goods, including foodstuffs, which were many times of poor quality.

2. The Liberalization of Prices in the Monopolistic Environment of State Manufacturers and Trade

The consequence was the immediate significant inflationary increase in the prices of consumer goods and foodstuffs by 100 to 1,000 percent. The liberalization of prices was supposed to take place only after the small-scale privatization and not the other way around, as is deliberately done in shock therapy. Is it possible that the creators of shock therapy did not know that? The subsidy for agriculture was dropped to practically zero, which together with the illegal increases in the prices of gasoline and diesel fuel (the government until this day is stealing approximately Sk [Slovak koruna] 9 from the consumer for each liter of gasoline) led to foodstuffs becoming even more expensive.

3. The Introduction of a Balanced Budget and a Strict Restrictive Monetary Policy for the Government

The government is attempting to set wages in the state enterprises, which form the predominant part of the economy. Such measures lead to a sharp reduction in purchasing power and, thus, also in the population's consumption. This has the consequence of a recession in production. It then comes to the layoff of employees, unemployment rises, and bankruptcy threatens. The well-known negative spiral of recession!

In monetary theory, a balanced budget generally leads to the collapse of the economy. A deficit budget, when the deficit represents proper investments, is the driving force of the economy. Yes, an astronomical deficit is something else when it is caused by internal indebtedness, nonprofitability, and poor investments or, generally, no investments. As a point of interest, the deficit of the U.S. Government in 1993 is predicted to be approximately \$300 billion. In France it will be 164 billion francs, and in Great Britain about 47 billion pounds. The IMF and the World Bank say nothing! What does the fiat of a balanced budget represent under our conditions? Practically a mortal wound below the belt when, instead of reviving the economy, it results in embalming it. The state, with its bureaucracy, is then maintained at the expense of the standard of living or even the poverty of the retirees, the young people, and, in the final phase, at the cost of a rapid decline in the standard of living for the predominant part of the population (estimated at 90 percent).

It is noteworthy that, after the trip of the economic group led by H. Kocuch to the United States in the second half of 1992, when they visited the IMF and the World Bank, the process of the Slovak Government clearly fell under the conditions of shock therapy. The 1993 state budget is balanced!? We will probably still have to wait a short time for the exchange rate of the Sk to the other world currencies to be set. Currently, there is little probability that the courage will be found to fight for a realistic value to the Sk. In such a case, the government would long ago have undertaken the necessary steps and would not rely on the so-called assistance of the IMF and the World Bank, when it must know that those organizations will rather be inclined toward the Czechs, as opposed to the interests of Slovakia! Should Slovakia not conclude bilateral agreements with those advanced countries that really want to help Slovakia? Under those conditions, it is difficult to take steps to revive the economy. How is the value of the Slovak koruna then secured? On the other hand, the so-called liberalization of the prices of consumer goods and foodstuffs remains in effect. On the contrary, they have been rising sharply recently.

Slovakia needs experts and those of a pure, courageous nature. Slovakia must give up on the dictates of the IMF and the World Bank and abandon shock therapy. Slovakia must hold on to its own traditions and adjust to the current world trend. The world is abandoning monetarism and going over to the development of the physical economy (changes in Israel, the United States, and so forth). Slovakia needs to revive the economy significantly and to give everyone the opportunity to take an active part in the building of the new state right at the beginning.

We need primarily a revival of agriculture through an adequate and varying subsidy (like everywhere else in the world), with privatization and the guarantee of self-sufficiency in foodstuffs. That must be the starting point for political and economic independence from supranational organizations. We must fully utilize the natural and cultural riches of Slovakia for the development of tourism as one of the important hard currency income items and a resource for the state treasury. We have to exploit the geopolitical position of Slovakia and the high level of technical education, especially of the younger generation, to build and develop modern and prospective technology in keeping with the dozens of scientific and technological global projects approved for the period 1990 to 2000. Countries such as, for example, Korea, Taiwan, and Singapore could serve as models for us. It is necessary to construct open industrial zones, technical parks, open customs territories, and such. The sooner we establish close cooperation at both the governmental and the private levels the better, particularly with Japan (in electronics, communications systems, the computer industry, and the automotive industry), Germany (science, energy, banking), Canada (forestry and the wood-products industry), France (health services, energy), and so forth. There should be significant cooperation with the United States (special technology, science) but also with Ukraine and Russia (Slovakia should

serve as a transfer point). It is necessary, however, to construct a large hub airport (Kosice), with a hotel and resort complex.

The first step is the immediate construction of modern communications systems. Access to information and its rapid and effective transmission is the basic condition for the functioning of a modern state, its development, and the input of foreign investors. We must build a computer network and connect Slovakia to the important international communications systems. Through public works and private orders, as well, it is necessary to build as soon as possible a high-speed highway and railroad system with connections planned for the constructed and projected European systems and lines. In air transportation, we should develop cooperation between Bratislava and Vienna and the freight-transfer airport near Kosice mentioned above. We must rapidly complete Gabcikova to improve shipping transport in cooperation with Austria and Germany. All of these activities, which have basic importance for the functioning and development of the state, must be managed and guaranteed by the government! This means, among other things, that it will organize and, when necessary, finance ad hoc formed groups of experts (including international ones) that can speed up the design of projects to meet those goals.

It is high time for the government to begin to act. Otherwise, developments themselves will work against it.

* Spread of Trade in Nuclear Materials Noted

93CH0529B Bratislava PRAVDA in Slovak 25 Mar 93
p 3

[Excerpts from an interview with Lieutenant Colonel Kamil Klastersky of the Central Office of the Criminal Police in Prague by Alena Ruzkova; place and date not given: "Trade in Nuclear Materials by 'Clean' People"]

[Text] The illegal transport of radioactive materials is a new kind of crime that is going into full operation in Europe. Czecho-Slovakia previously, and now both the Czech Republic and the Slovak Republic, have become suitable pipeline countries for the transportation of various strategic materials. Lieutenant Colonel Kamil Klastersky of the Central Criminal Police of the Czech Republic talked with us in more detail about this. Every European country should have its own police office to deal with this problem, and Lt. Col. Klastersky runs just such a central office in Prague.

"It would be desirable if the parliaments in this European region suppressed the crime connected with nuclear materials in approximately the same way. Just as it is the rule that we drive on the right side of the road and that the car have two headlights and such, I think these crimes should be punished in the same way in all of the states, as terrorism and the sale of drugs are," he added.

For what and for whom is this dangerous item of trade designated, and, finally, who is, after all, willing to risk his health for it? Citizens of the former federation, both Czechs and Slovaks, have entered into this business. Language plays one of the most important roles in it because the radioactive material comes from the territory of the former Soviet Union. The police have come up with an interesting piece of information—that, so far, in every case, it has involved people with “clean” criminal records. And that is a new trend.

“When we look at the group of three people from Bratislava—we cooperated with Vienna in its investigation—one

of them was an engineer and the other two were doctors, who knew their way around in nuclear physics,” said Klastersky.

The smugglers, who are only a small part of the network of those buying and selling, actually do not know what they are carrying. It has happened that some of them have received doses of radiation while transporting the materials.

This contraband is acquired only by someone who has a lot of money and lives in a country into which the importation of radioactive material is not allowed. He is therefore ready to give whatever to whomever for it. “In a word, the new-age north against the south. The Czech lands and Slovakia are ‘for now only’ countries of transit,” concluded Klastersky.

Macedonia

* Deputy Prime Minister Zuta Interviewed

93BA0774A Skopje VECER in Macedonian 6-7 Mar 93
pp 8-9

[Interview with Macedonian Deputy Prime Minister Bekir Zuta by Dusko Strezov; place and date not given: "Purse Will Not Open at Once"]

[Text] *The conditions under which the economy operates this year will not be a bit better than those in 1992. A new primary issue system is coming; what is important is not how much is needed but what goes on at the counter in the commercial banks. World financial institutions understand us and are opening their doors to Macedonian membership in them, but this does not mean that the purse will be opened when the doors are.*

Creation of Conditions for a Different Atmosphere in the Economy, According to Dr. Bekir Zuta

The Government of the Republic of Macedonia recently stated its concept of macroeconomic policy this year. It is attempting thus to determine the directions of movement in an extremely unfavorable atmosphere created by the still unconsolidated internal political forces and the incomprehensible blockades by the country's southern neighbor and the ones resulting from the United Nations resolution regarding our northern neighbor.

In connection with this topic we interviewed Dr. Bekir Zuta, deputy prime minister of Macedonia, whose office played an important part in the drafting of this document of such great importance to the economy and the area of finances in Macedonia this year. This document was recently forwarded to deputies in the Assembly of Macedonia for their information.

Instruments of the Government

[Strezov] In 1993 macroeconomic policy the government has set the major goals of economic stability and checking inflation. These are two very big goals. How does the government plan to achieve them and how realistic are they, considering the situation in which we find ourselves with all the internal economic difficulties and those caused by the blockades?

[Zuta] Well, you are right in saying that economic conditions will be no more favorable this year than they were in 1992. At the very outset we have encountered a number of uncertainties that have been piling up for a long time in the form of losses, shortages of resources in the form of funds for public activities and in the economy itself. There are no prospects for eliminating this situation in the immediate future. To be added to this list is the incomplete economic system. And so we are starting out under these conditions. The measures are oriented primarily toward the economic sphere and economic foreign relations, and secondarily toward the sphere of social welfare and creation of conditions for

alleviating the critical situations in production. We are attempting to enable the economy in this way to achieve somewhat different conditions so as to be able to find its way under conditions primarily imposed on it by others.

New Primary Issue System

What measures will be taken to achieve this stabilization? The government has the following instruments available to it at this time: monetary and credit policy, distribution of wages, and price policy. The first area to be created by the National Bank of Macedonia must be essentially a restrictive one, so as not to open new doors to new inflation. In second place is distribution of wages. The government believes that the capabilities of the economy must be considered and at the same time there must be a control mechanism. However, the tripartite commission, made up of the government, the Economic Chamber, and the Trade Union Organization, still is not speaking a common language about these problems. I think that it will be very dangerous here, that here will be the element that will harm the preconditions needed for operation of the economy and so will jeopardize the general decision for stabilization this year. The third resource with which an attempt is being made to exert an influence on creation of conditions for operation of the economy, is price policy. Of course the general decision for free formation of prices, except those of products and services that affect prices in the economy as a whole, is respected. It must be said that in 1992 the prices that were under public control rose at a slower pace than the others.

[Strezov] Monetary and credit policy is of decisive importance in implementing macroeconomic policy. What does the new concept call for?

[Zuta] First of all, there is to be change in the system of issuing primary money and the system of monetary investment. Investment will be made through the commercial banks, while the National Bank of Macedonia will have control over cash in circulation and the entire array of instruments available to it in connection with the credit and monetary policy that it enforces by means of the control it exerts over the banks.

This means that the direct provision of credit to agriculture that has been effected by way of primary issue will now be effected through the commercial banks. Essentially we are faced here with the dilemma of the plan that is offered. The problem in effect is that primary issue is not to be accomplished on the basis of the needs of a specific region but exclusively on the basis of auction sales of securities in the money market. This of itself creates two key problems that must be solved, that of the need for stimulating the credit potential of commercial banking, to the extent that it is mature enough to cope with the new mission assigned to it, and secondarily the problem of reducing interest rates.

Another element of this plan for monetary and credit policy is conversion of short-term credit to long-term credit. This measure enables agricultural users of credit

to obtain primary issue funds and convert short-term to long-term credit, and so creates new conditions allowing them to start out under new credit conditions. Some elements of the old system will most likely be in operation here until the new system has been introduced, so as not to jeopardize agricultural production.

[Strezov] What is the difference between the old and the new primary issue systems?

[Zuta] There is a big difference. In the past primary issue was formed on the basis of the anticipated volume of production, on the basis of the level of protective prices; the quantity was determined and this was always a function of stimulation of inflation, in that needs always arose irrespective of how real they were. Another essential question was whether from the viewpoint of dynamics funds were to be distributed through an entire calendar year or at specific times as agricultural output was generated. A situation arose such that a suitable volume of primary issue was supplied at a specific time, causing a large surplus of money among users at that time, but in view of the inadequacy of the commodity fund, the balance between the two funds, monetary and commodity, was upset and this resulted in higher inflation.

[Strezov] Tax policy is an item from which much is expected, considering all the deficiencies manifested in the past that have had repercussions on government finances. What does the government think and how will it cope here with the goal of securing a genuine place for itself in society, as a source of money and as a burden on taxpayers?

[Zuta] The question is often asked if this project should be independently implemented or should be preceded by other subsystems so that they would all emerge and be applied simultaneously. One area that is essential for successful operation of this project is the new tax system. A significant fact must be pointed out here. Everyone has an unfavorable opinion of the existing tax system. This was observed earlier, and then in 1991 a study was done that resulted in elaboration of draft laws following the example of West European countries.

By mid-1992 the texts of these laws had been forwarded to the Assembly and by the end of the year had been approved as the first stage of enactment. Complete treatment of this subject is in the future. However, I believe it realistic to expect that the new tax system will be inaugurated next year, since anything done earlier would not yield the anticipated results, in that launching of the new tax system requires that suitable preparations be carried out over this period. I think that this is a better solution than waiting for all the subsystems to be introduced and then initiating the new monetary and credit policy.

The Doors Have Been Opened but...

[Strezov] Macedonia has already started to beat a path to world financial institutions. What could we expect here?

How realistic are the expectations of the economy in a situation in which every dollar seems to be an enormous amount of aid?

[Zuta] Applications were formally filed last year for membership in international financial institutions such as the International Monetary Fund, the International Bank for Reconstruction and Development, and others. It is very important to note that the right of succession to the SFRY is being asserted; this substantially curtails the procedure for acceptance in these institutions. Without this inheritance from the former Yugoslavia we would have to start everything from scratch, and the process might take years rather than months. Hence doors have been opened to Macedonia's membership in these institutions. However, things must be viewed objectively. We must harbor no illusion that the door will be opened to credit on the day that we gain membership. On the other hand, we must not be disappointed if there are certain delays. It must be realized that the person extending credit, and not the person receiving it, determines when the credit will be given and on what terms.

[Strezov] Macedonia has resumed payment transactions with Slovenia, Croatia, and Bosnia-Herzegovina. How are such transactions carried out, and how in general is economic cooperation with the former members of the Yugoslav federation proceeding?

[Zuta] I believe that we in the government are faced with serious problems in the organizational sense in order for us to be able to move ahead somewhat differently in contacts with the other partners, not just in the former Yugoslav republics but in general with the other countries with which we are cooperating or will cooperate. There are the so-called joint committees to be organized in the government to explore the possibilities of cooperation with other economies. This is customary in all countries in the world. The committees are bodies dedicated specifically to cooperation between economies; they can be very important for development of contacts with the world. In this instance I of course have in mind primarily contacts with the former Yugoslav republics, which will always be the focal point of the interests of the Macedonian economy for the simple reason that this market will be more familiar and better developed for us.

No Question About the Model

[Strezov] All the countries that have become independent from the SFRY have encountered the same problem with the foreign currency savings of citizens. Do you think that our way of solving this problem is the best one?

[Zuta] This is one of the most serious problems we have inherited. Macedonia has resolved to become a country of savers, to become guarantor in place of the former federation. The others have done this too, but in a way different from ours. Slovenia and Croatia have declared a five-year moratorium; they expect to create conditions over this period for providing services for savers.

We have opted for a different system, with no moratorium, at least for the time being, a concept that in essence preserves the real value of foreign currency savings, in that debt does not have to be serviced by means of primary issue. Using primary issue is the easiest, but at the same time the most dangerous, the riskiest, debt servicing method, both for savers and for other citizens, and for the entire economy as a whole. Consequently, in order to preserve this aspect we have decided to sell a specific asset available to Macedonia, in the form of housing and business premises, and to use the proceeds obtained to provide services to foreign currency savers. I think that it may not be said here that savers suffer damage in comparison to those in the SRY, in that they are not guaranteed the real value of debt under conditions of inflation. I believe that our model offers greater

advantages than do all the other models applied by the former republics of the SFRY.

I believe that there should be real confidence in what the Assembly enacts and the authorizations granted to issue implementing regulations. This is what should be the standard for judging whether or not conditions are being created over this entire period of impoverishment for servicing savers. I think that the problems should be dealt with by carefully observing every measure taken, in essence by offering and finding the best solution. Here we are even proceeding in organized fashion and yet savers are being abused. Consequently, I believe that this is the problem, not whether our model is good or bears no relation to the models that have been adopted by the other former Yugoslav republics.

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